Evan Hackstadt

Dr. Senzai

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Analyzing and Categorizing the British Welfare State

Welfare policies have emerged as a common feature of developed democracies seeking to reduce inequality, provide goods, and protect citizens against uncertainties of life. States with extensive welfare systems can be classified as welfare states. Per T. H. Marshall and Esping-Anderson's work, social citizenship—where governments protect social rights—is at the core of the welfare state (Esping-Anderson 105). In this same typology, three types of "welfare regimes" are classified: "liberal," "corporativist" or conservative, and "social democratic" welfare states (Esping-Anderson 111). The United Kingdom (UK) has a reputation as being one of the original welfare states and "amongst most advanced societies in terms of social policies" in the 1940s postwar period, but has suffered significant budget cuts and policy changes under the 1970s Thatcher government and austerity policies in recent decades (Hopkin 54). Thus, the status and classification of the UK's welfare system is thrown into question.

This essay will analyze three characteristics of the welfare state: decommodification by direct transfers or benefits from the state; decommodification by public goods or services from the state; and the reduction of class stratification to some degree by state welfare policy. The UK will be evaluated and categorized by these criteria, and briefly compared to other European welfare states. Ultimately, the United Kingdom does fulfill the criteria of a welfare state, however, it should be classified as a lower-quality "Liberal" welfare state due to its moderate means-tested programs, market intrusion, and reproduction of class stratification.

I. Criteria

The first and second criteria are quite similar and often overlap; however, they delineate two forms of aid that a state should provide (those relating to money and those relating to goods and services). They will both be used to discuss theories of decommodification.

The first criteria is decommodification via direct transfer payments or benefits from the state. In other words, the state provides significant insurance, subsidies, or other direct monetary benefits to its citizens that specifically function to decommodify individuals. According to Esping-Anderson's typology, to "decommodify" individuals is to reduce an individual's reliance on the market for welfare (105). When the state directly transfers wealth to those in need, it steps between individuals and the market and provides aid.

This criteria often takes the form of unemployment or low-income benefits (monetary aid to assist these persons with living costs), specific benefits or tax breaks based for disadvantaged groups (e.g. disabled people or those with children), pensions to elderly or retired individuals, etc. These transfers should be funded in a manner that is at least fair, or at most, redistributive. Typically, this looks like progressive taxation (where wealth and business is taxed higher than the poor) and/or compulsory social insurance, where employees and employers make contributions and all citizens receive the benefits (such as retirement pensions).

Using Sandmo's wide definition of a welfare state as "the economic and social policies of a country that gives high priorities to equality and individual protection against social hazard," it becomes clear why the state must provide direct benefits to its most vulnerable citizens in order to be considered a welfare state (469). The criteria of decommodification is also key here: Esping-Anderson states that "This means that the mere presence of social assistance or insurance may not necessarily bring about significant decommodification if it does not substantially emancipate individuals from market dependence" (106). For the purposes of this essay, the presence of benefits is the criteria for a welfare state, while the level of decommodification determines the quality of said welfare state.

The second criteria is decommodification via public goods or services from the state. This is a similar characteristic to direct transfer payments or benefits from the state, and similarly decommodifying, but instead involves the provision of a good or service to those who need it. They are usually universal and free, which is what enables decommodification: an individual is no longer forced to rely on the market for a good or service if it is provided by the state. Low-cost goods and services may also be partially decommodifying so long as they are significantly less than the market price.

These goods and services commonly include universal healthcare, subsidized education, and subsidized housing. Certain services often become defining features of a state's welfare: "...for the past half-century a defining element of developed democracies has been… [to] provide public goods through such programs as national pension plans, public health care, education, and unemployment benefits" (O'Neil 235).

Again, the details will determine the degree of decommodification and thus the quality of the welfare state. For example, free universal healthcare with "tax financing, public ownership of facilities, and central government direction serves as an ideal-typical counterpoint to not only the United States but also to continental social insurance models" (Exworthy and Freeman 154). So while various government health programs may exist, those that are more universal and accessible are more decommodifying, and therefore signify a higher quality welfare state.

Once again, such goods and services should be financed in a way that is at least fair, or at most, redistributive.

The third and final criteria that will be used to evaluate welfare states is that the state seeks to reduce class stratification, to some degree, through state welfare policy. In doing this, they protect social citizenship — emphasizing one's status as a citizen over one's class status. Esping-Anderson argues that "the welfare state is not just a mechanism that intervenes in, and possibly corrects, the structure of inequality; it is, in its own right, a system of stratification" (108). In other words, as the welfare state steps in between citizens and the market, its social policies will in turn influence social hierarchies and divisions (stratification) in a society.

Specific strategies and policies will result in more or less equal state-produced stratification. Thus, to be a proper welfare state, a state must seek to reduce class stratification and achieve that goal through its policy implementation. An ideal welfare state will significantly reduce class hierarchies. The degree that a state achieves this indicates its welfare quality and is used by Esping-Anderson to describe the three "welfare regimes" of the "liberal," "corporativist" or conservative, and "social-democratic" systems (111).

Liberal welfare states generally use means-tested benefits, modest handouts, allow for market intrusion, and create a class dualism (Esping-Anderson 111). These states are least effective at reducing class stratification and achieving decommodification: they result in welfare benefits going to the poor, making handouts stigmatized, while the middle and upper classes turn to the market for insurance and welfare (Esping-Anderson 111). Hopkin summarizes the liberal category by stating, "...the government's role is to provide a floor below which incomes should not fall, but not to sustain incomes above that floor…" (59). Liberal systems are lower quality.

Corporatist or conservative welfare states properly displace the market and thus more successfully decommodify. However, the state still intentionally preserves class hierarchies, often due to values of family and church (Esping-Anderson 112). So while social rights are widely granted, stratification is not significantly reduced, making this regime type usually of moderate welfare quality. Social democratic states employ more universalism and successful decommodification practices, extending welfare to the middle class. By doing so, they displace the market, reduce class stratification, and promote equality and solidarity. Nordic states exemplify this model thanks to "the comprehensiveness of their welfare systems and the extent to which welfare was provided by public institutions financed out of general taxation" (Hilson 71). Social democratic models are generally of high welfare quality.

II. Analysis

When it comes to the first criteria, a number of criticisms can be made against the UK's current welfare system. First, it is important to briefly understand the evolution of UK welfare policy over time. As discussed, the postwar genesis of UK welfare established a strong and centralized welfare state, which persisted for multiple decades. However, with the economic challenges of the 1970s and the Thatcher government, the welfare state was scaled back significantly in terms of the state pension, unemployment benefits, and income support all becoming lower or stricter (Hopkin 54). Data of UK sickness insurance, unemployment benefit, and accident benefit replacement rates clearly show a large drop by the late 1970s that diverged from mean rates of 17 other OECD states (Wincott 353-354).

UK welfare has not been significantly rebuilt since these cuts. In the decades prior to the Global Financial Crisis (GFC), the UK moved "from a model of passive social assistance to one emphasizing workforce activation and personal responsibility" (McManus 87). This was due to New Labour's reforms being largely neoliberal in character: though services expanded, these reforms "did not change the overall Liberal welfare state trajectory" (Seeleib-Kaiser 249). Regardless, post-GFC Conservative governments pursued "austerity measures intended to address debt and deficit concerns… as social spending became a major target of budget cuts" (McManus 93). Estimates had predicted that "by 2021 working-age social security benefits will be £37 billion ($46 billion) less than in 2010…" (McManus 96).

With these trends in mind, the UK can be evaluated against welfare criteria. For the first category of decommodification via direct transfers and benefits, it is found that the UK does provide many standard social security benefits such as universal credit, state pension, and benefits for those with disabilities or children. These systems are all potentially decommodifying. However, Hopkin notes that:

> This [UK] safety net is related to need, rather than previous earnings… the benefits on offer only compensate a small part of the income lost in the case of unemployment, sickness or disability. The UK 'replacement rate' for loss of income through unemployment is the third lowest among OECD countries [at 50%], behind the United States and Turkey… Even for retirement, where coverage is much more comprehensive, the UK state pension is relatively limited, especially for higher earners… In much of the rest of Europe the welfare state does much more than insure against destitution. (59)

Thus, the primary direct transfers of the UK welfare state have been scaled back to modest handouts and are means-tested, characteristic of a liberal welfare state. However, they are still not as liberal as states like Australia's: "By contrast, Britain's welfare state… is less targeted at the poor; there is a wider class of beneficiaries for the State Pension and Child Benefit, for instance" (Wilson and Spies-Butcher 415). So, the UK clearly has direct transfer and benefits systems that do commodify at least slightly. Thus, it meets this criteria of being a welfare state. However, due to its means-testing and moderate handouts, and its cuts over time and political shifts, the UK can be classified as a liberal welfare state by this criteria of direct transfers.

Evaluating the UK by the second criteria of decommodification via public goods or services from the state, it is found that the UK once again provides many classic public services to its citizens. However, all but one have been liberally scaled back under the aforementioned political developments.

The UK provides public education, social housing, long-term care, and healthcare. Public education is fairly standard and similar to comparable nations: “the overall [New] Labour record on education was one of almost permanent reform and substantially increased expenditure. This covered the full spectrum from preschool to higher education…” (Pierson 41-42). So, UK public education as a universal, decommodifying service is largely standard.

The UK also funds social housing, though this good has experienced reductions. Schwartz recognizes that the UK’s rental housing subsidies are greater than in other countries such as the US (358). However, he also notes that “on top of sharply reduced government funding, housing associations will almost certainly obtain much less housing through Section 106 than in the years preceding the [2008] credit crunch” (Schwartz 369). Thus, like much of UK welfare, social housing does exist and may serve to decommodify, but has ceded some control to the market and is inadequately funded for the current housing crisis.

The UK also provides fairly standard long-term care. Without getting into the details, Eggers classifies it as less generous and self-reliant: “The generosity of social rights to publicly-funded care is low overall…” (375). In summary, “...the English and Italian LTC policies of the self-reliance type demonstrate that strengthening older people's active role is not necessarily combined with a higher welfare state responsibility for publicly-funded care” (Eggers 379). UK long-term care may serve to decommodify the poorest, but is not useful or extensive for most, further evidencing a liberal characterization under this category.

Finally, healthcare is an essential element of UK welfare. When it comes to goods and services, the UK's National Health Service (NHS) provides the strongest case for the UK as a higher-quality welfare state. Thanks to features "such as tax financing, public ownership of facilities, and central government direction," Exworthy and Freeman note that "In comparative perspective… the NHS has been remarkably centralized, and public, with an unusual configuration of the relationship between the professions and the state" (154). Although the NHS has undergone much restructuring and criticism, it has undergone less market intrusion compared to other elements of UK welfare. "[The NHS] accounts for 83 percent of all U.K. health care spending (OECD 2005), while 94 percent of that continues to come from public sources" (Exworthy and Freeman 162).

Overall, the UK's social services, and especially the NHS, meets the goods and services criteria for a welfare state. However, similar to the first criteria, these services have experienced restrictions and market intrusion over the past decades. The UK once again tends toward a liberal welfare state, though less strongly in this category thanks to the strength of the NHS.

Finally, there is the third criteria of reduction of class stratification to some degree by state welfare policy. As discussed previously, the welfare state is itself a system of stratification, and different policies - sorted by Esping-Anderson into three regime types - have different effects on stratification and will be used by this essay to approximate the "quality" of a state's welfare. As established in the two prior criteria, many aspects of the UK's welfare have become characteristic of what Esping-Anderson called the liberal welfare state.

The UK's direct transfers and benefits have mixed effects on class stratification. For example, benefits such as the child benefit are more universal than classic liberal welfare states such as Australia and the United States. However, as mentioned, its unemployment insurance, disability benefits, and even retirement pensions are means-tested and mainly target the lowest classes. While good on paper, Esping-Anderson reminds us that “the poor relief tradition and its contemporary means-tested social assistance offshoot were conspicuously designed for purposes of stratification” by creating stigma and a social dualism (108).

The same issue emerges for the UK’s goods and services. For housing, Schwartz states that “In the UK, non-profit housing associations had become increasingly reliant on the market to supplement government grants for the development of low-income rental housing…” (354). For long-term care, Eggers explains that “...the strict means-test only provides older people with an annual income and capital below £14,250 (€17,093 March 2022)—which is clearly below 60% of the median disposable income in the UK of £29,900 (ONS, 2021)—with publicly-funded care” (375). Thus, the means-testing of long-term care means it is only desirable for the poorest, reflecting the class dualism produced by a liberal welfare state. Even in the NHS, “...market relations have intensified within what remains the public framework of the NHS” through various private funding policies (Exworthy and Freeman 164).

Ultimately, these programs may reduce poverty specifically, and may help decommodify individuals, but the liberal system itself reproduces stratification between the lower class — dependent on state welfare — and everyone else who can afford to turn to market welfare. Social democratic models found in Nordic states reduce class stratification by involving everyone in welfare that is decommodifying to the lower class and desirable to middle and upper classes. There is one notable aspect of UK welfare reminiscent of this approach: the NHS. “Its core characteristic— the guarantee of universal access paid for by general taxation— seems politically irreversible, both on financial and on electoral grounds. Once assumed, public responsibility is difficult to renounce” (Exworthy and Freeman 194). Overall, the UK’s liberal welfare system only reduces class stratification to some degree; it generally reproduces a dualism. However, the NHS example demonstrates the spectrum-like nature of these categories; clearly the UK is not a liberal welfare state one-hundred percent.

III. Conclusion

This essay has outlined both scholarly theories and three specific criteria for welfare states. A welfare state must decommodify its citizens via direct transfers and benefits, and via public goods and services, and it must seek to reduce class stratification through its policies to some degree. When these criteria are met, a state can successfully protect its citizens against the uncertainties of the market. Welfare states can also be classified as either liberal, corporatist, or social democratic. These regime types have varying effects on class stratification, so this essay also argues that the quality of a state's welfare can be judged by these types.

This essay examined the UK case, noting historical developments and evaluating specific details against the established criteria. It became clear that the UK contains many standard elements of a welfare state — mainly due to the strong, universal founding of UK welfare in the 1940s. However, due to Thatcher-era spending cuts, New Labour's shift to the center, the GFC, and modern conservative cuts and austerity policies, the UK's welfare has shifted to a liberal welfare system. This is primarily evidenced by needs- and means-testing for benefits, modest handouts, market intrusion and private insurance, and overall reduced funding. These features create a social class dualism, where the poor depend on stigmatized state welfare and others seek more desirable market welfare. This category of welfare state is generally lower quality; it is less effective at achieving goals of redistribution and stratification reduction (i.e., equality).

The UK is certainly a welfare state. Yet is it important to recognize that not all welfare states are equal, and the UK should be recognized as a liberal or near-liberal welfare system.

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