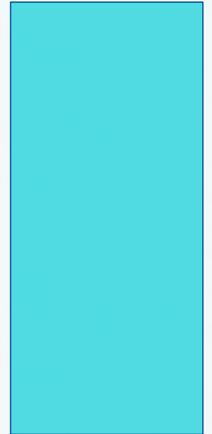




# NEOLIBERALISM 2.0: SHIFTING FROM 'LIBERAL COLLECTIVISM' TO 'MARKET SOCIETY'

DAMIAN GRIMSHAW, UNIVERSITY OF MANCHESTER



18 November 2015, Centre for Urban Research on Austerity (CURA), De Montford University

European  
Work &  
Employment  
Research  
Centre

# PRE-2010: AN UNDERDEVELOPED SOCIAL MODEL *BUT WITH COLLECTIVIST FEATURES...*

## • A RESIDUALIST WELFARE SYSTEM

- 23<sup>RD</sup> out of 29 in OECD ranking of unemployment insurance replacement rates
- Underfunded social care provision
- Cost-cutting privatisation of for-profit service provision

*But explicit policy target to reduce child poverty (tax credits), substantial rise in public expenditures, generous assistance with housing costs, 100% healthcare access*

## • UNDER-REGULATED, FLEXIBLE EMPLOYMENT MODEL

- 28<sup>th</sup> out of 30 in OECD employment protection index
- Opt outs from Working Time Directive, weak support for working mothers
- Workers reliant on legal protection (self-enforcement of rights) because trade unions and collective bargaining coverage are weak

*But raised minimum and equality standards (European directives), medium-level minimum wage, strong worker voice in public sector*

# POST-2010: OUT WITH THE COLLECTIVE, IN WITH THE MARKET SOCIETY

“The objective [of the coalition government] is to set the UK on a trajectory of permanently lower spending, lower debt and market-led growth. Future pressures on the state will be contained through a shift of responsibility in many areas from state to private providers, citizens or the community. Market principles will permeate social life to a greater extent than at any time since the inception of the modern welfare state”  
*(Taylor-Gooby 2012: 62).*

# WELFARE REFORMS



## Cuts, cuts, cuts

- Cut spending and extended austerity period (*already from 45% to 42% of GDP (2009-10 to 2013-14)*)
- Fall in healthcare and education real spending **per capita**



## Downgraded value of social security benefits

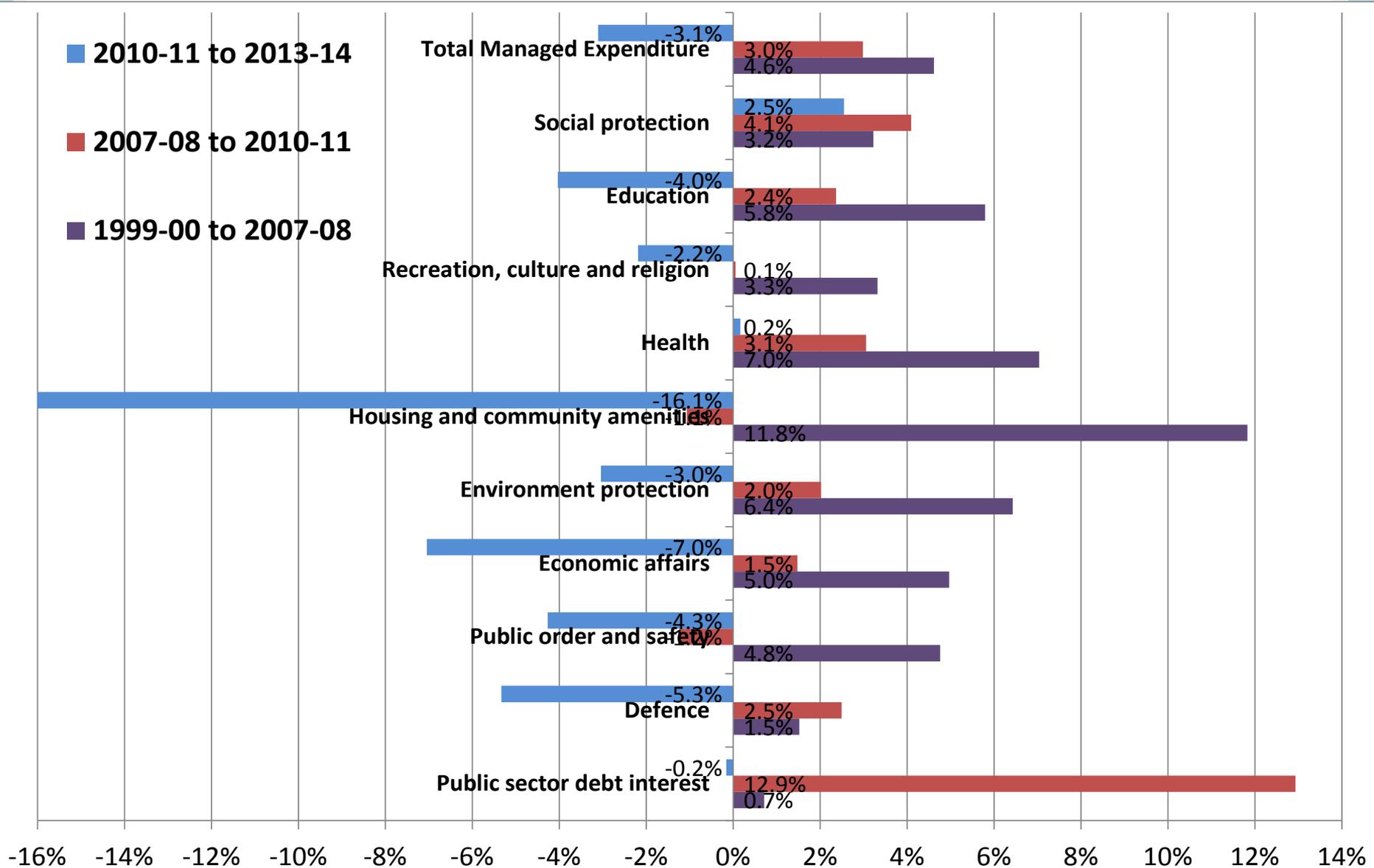
- Reduced annual uprating index
- Cut housing benefit entitlements
- Controversial health test for disability benefits
- Stricter work tests and record number unemployment benefit sanctions



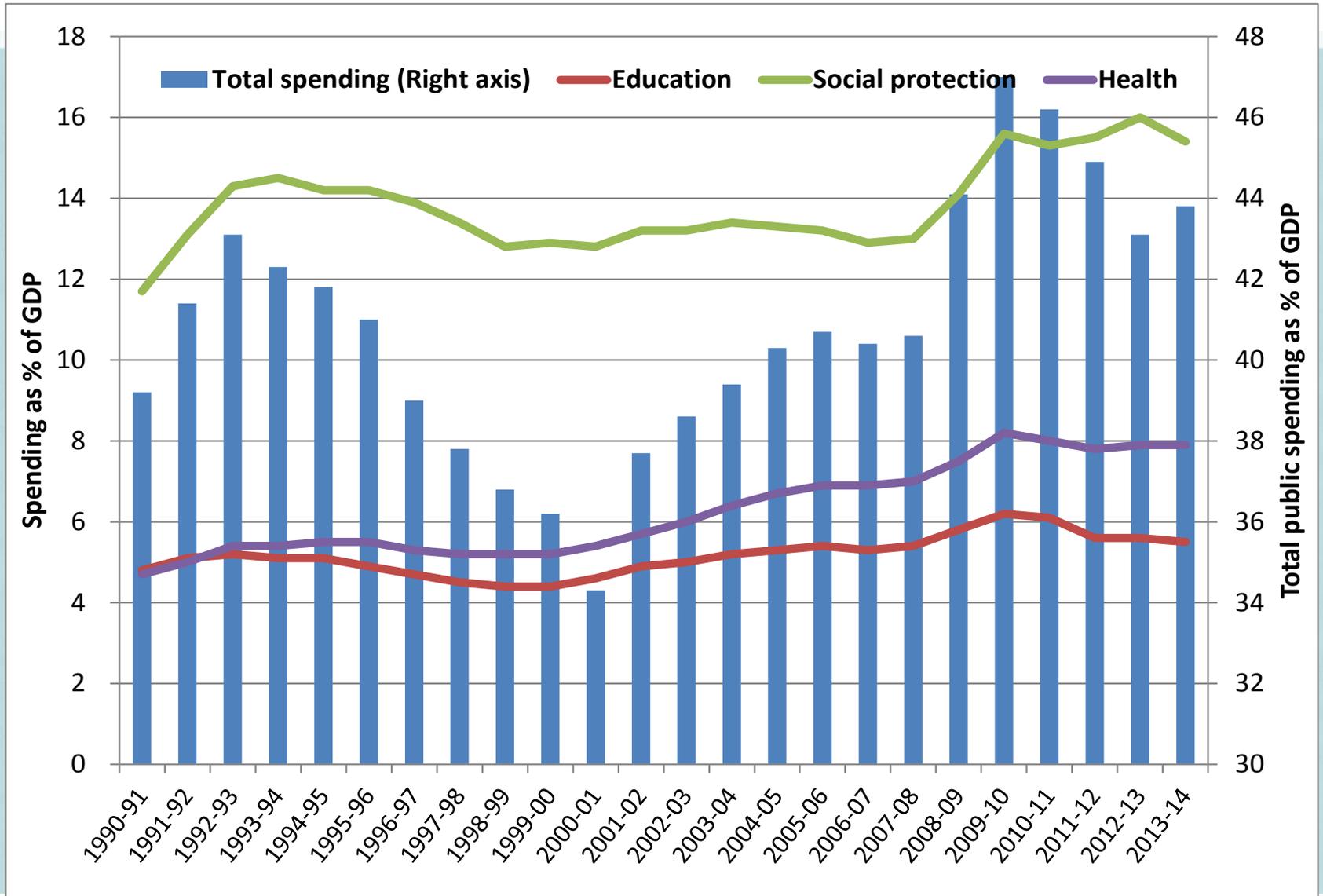
## Reduced value of in-work benefits (pre-UC)

- 3-year freeze in basic element
- Raised weekly hours entitlement threshold
- Reduced annual uprating index

# AVERAGE ANNUAL % CHANGE IN REAL PUBLIC EXPENDITURES (PESA 2014) DURING PRE-CRISIS, CRISIS & AUSTERITY

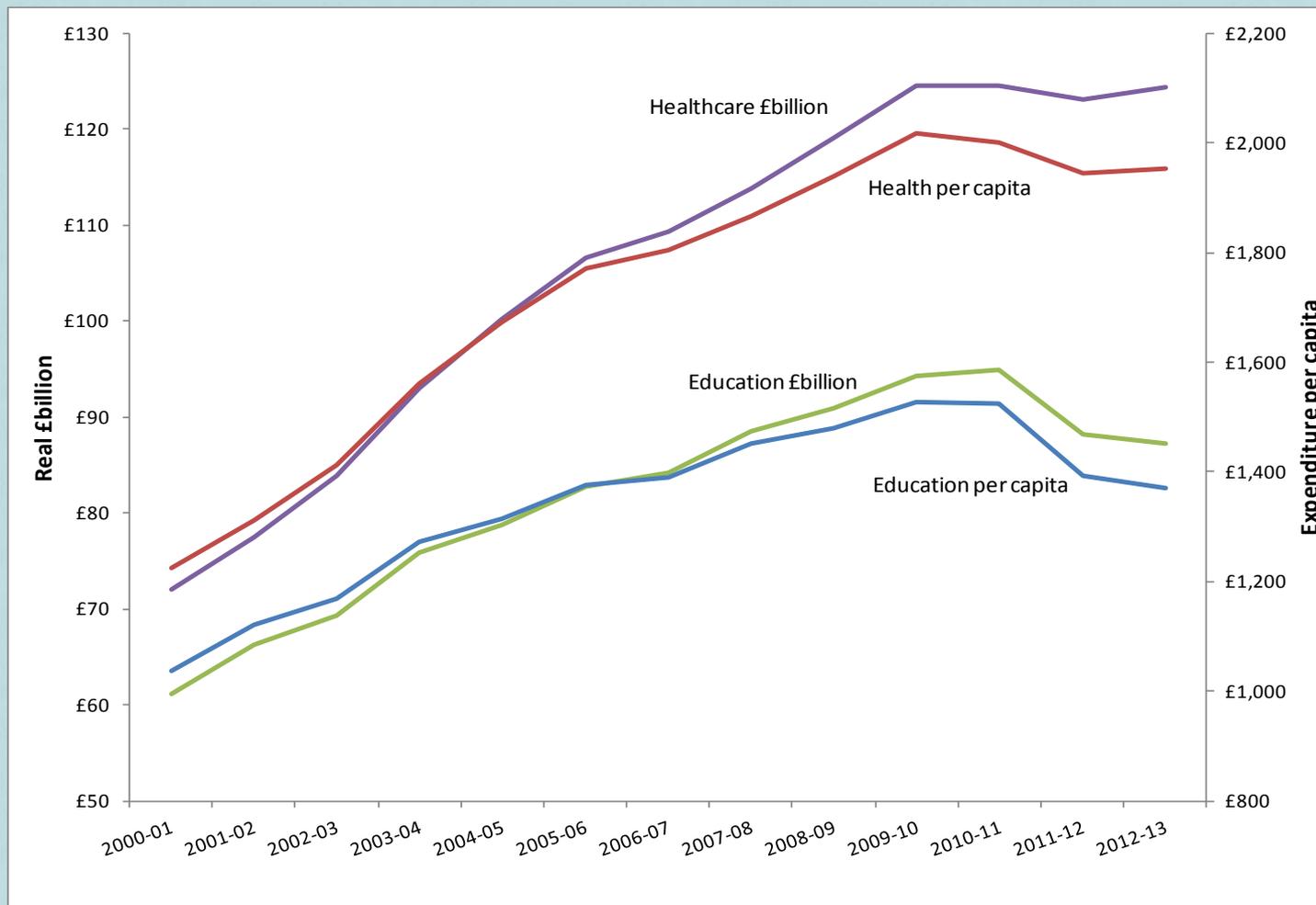


# STRONG AND DISRUPTIVE IDEOLOGICAL CYCLES IN COMMITMENT TO WELFARE STATE SPENDING



# PURPOSEFUL CUTS IN PUBLIC SPENDING PER PERSON, EVEN IN HEALTH & EDUCATION

Figure 1. Real trends in total and per capita education and health expenditures, 2000-2013



Source: ONS Public spending by function, own compilation (PESA 2013).

# WELFARE REFORMS

## Vulnerable groups targeted

- Abolished universal payment of child benefits
- Cut the child, family and childcare elements of tax credits
- Abolished Child Trust Fund
- Abolished Education Maintenance Allowance
- Abolished means-tested support for lone parents with very young children
- Abolished mobility allowance for disabled



## More State power with fewer responsibilities

- Schools incentivised to forge direct link with central government, delinking from local authorities
- Liberalisation of National Health Service and devolved responsibility of commissioning



## Reversals of past improvements in childcare services

- cut funding for centres in low-income neighbourhoods
- cuts to childcare tax credits
- no reforms to address escalating childcare costs (27% of net family income relative to 12% OECD average)



## Housing benefits

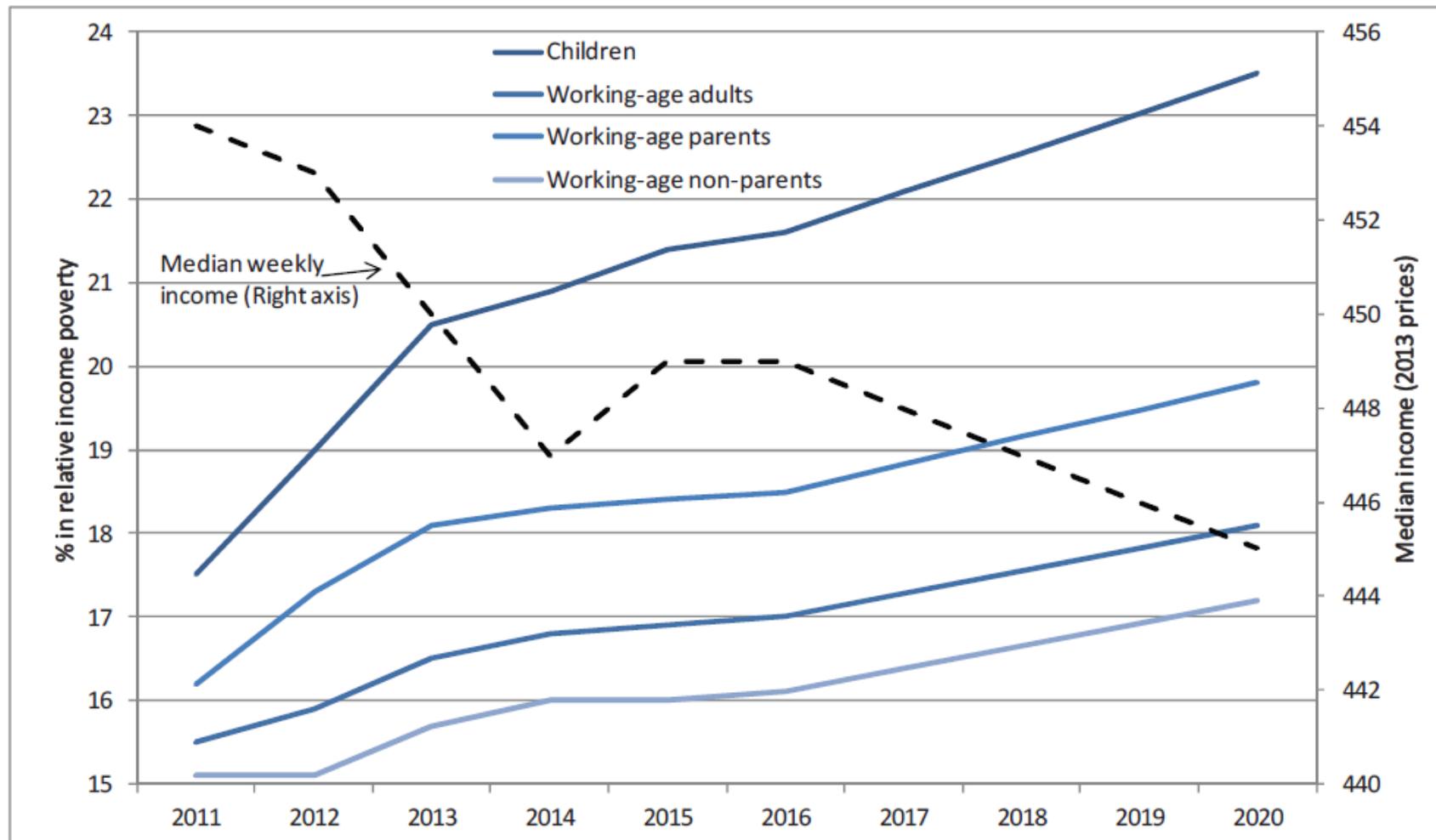


## Post-2010 reforms

- New cap at 30<sup>th</sup> percentile of local rents
- New time-based reductions in benefits
- Reduced value of uprating index
- Raised age threshold for shared accommodation
- 'Bedroom tax' on unoccupied rooms

## Effects

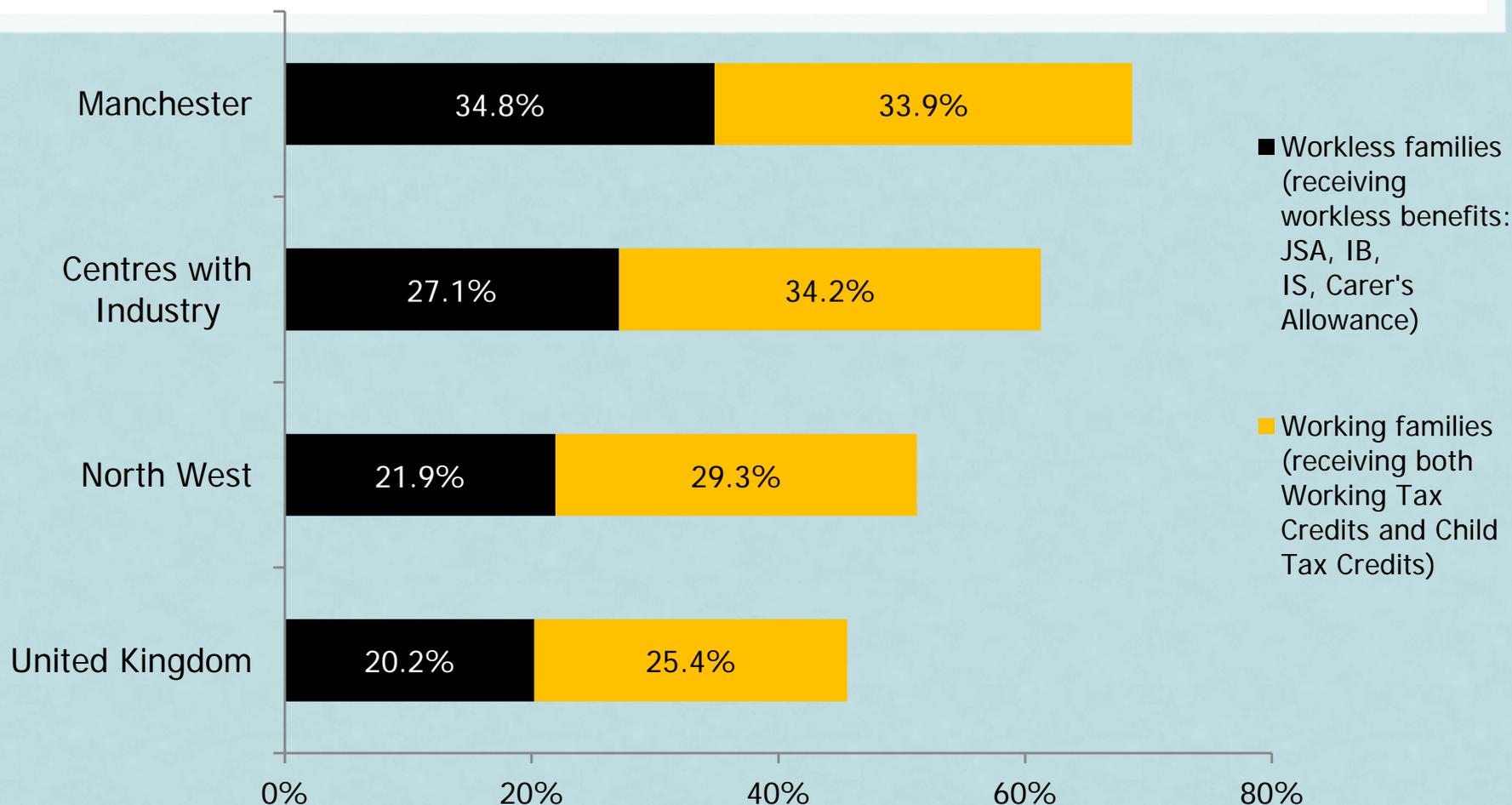
- *Massive outcry from hundreds of charitable organisations*
- *Increased immerisation of low-income households*
- *Social cleansing of high-income neighbourhoods*
- *Rise in homelessness and evictions*
- *Sudden spread of Food Banks*
- *Rise in child poverty*



*Figure 11.5 Projection of relative income poverty for different population groups, United Kingdom, 2011–2020*

Source: Adapted from Table A.1 in Browne et al. (2013), which draws on Family Resources Survey data for 2010–2011 and specific assumptions to underpin the projections.

# HIGH SHARES OF CHILDREN IN 'LOW-INCOME' FAMILIES, HIT BY SPENDING CUTS (2010-11 DATA)

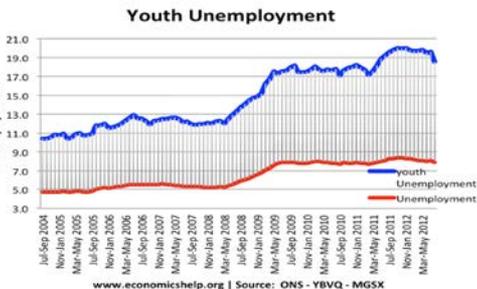


Note: Low-income is at or below 60% of median household income

Source: <http://cesi.org.uk/statistics/tools>

# EMPLOYMENT REFORMS

Abolished major jobs  
subsidy programme



Controversial part  
privatisation of job  
search services



Reduced  
employment  
protection

Shares for rights  
scheme

Abolished wage  
clause in public  
procurement

Ending of co-  
operative union-state  
relations

New employment  
tribunal fees for unfair  
dismissal, sex and  
race discrimination

# FALLING UNION DENSITY MEANS WORKERS DEPEND HEAVILY ON LEGAL PROTECTION ... ..

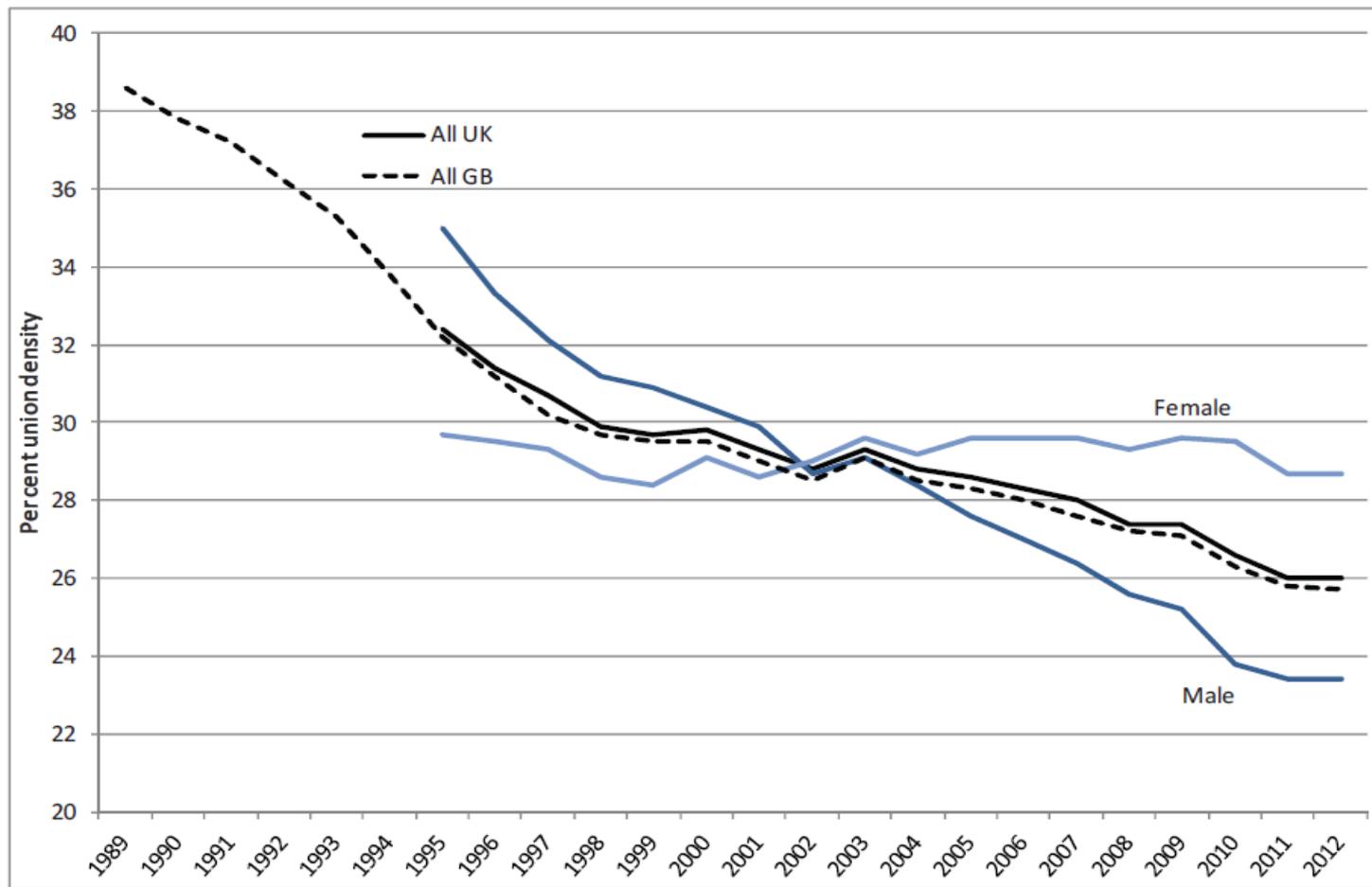
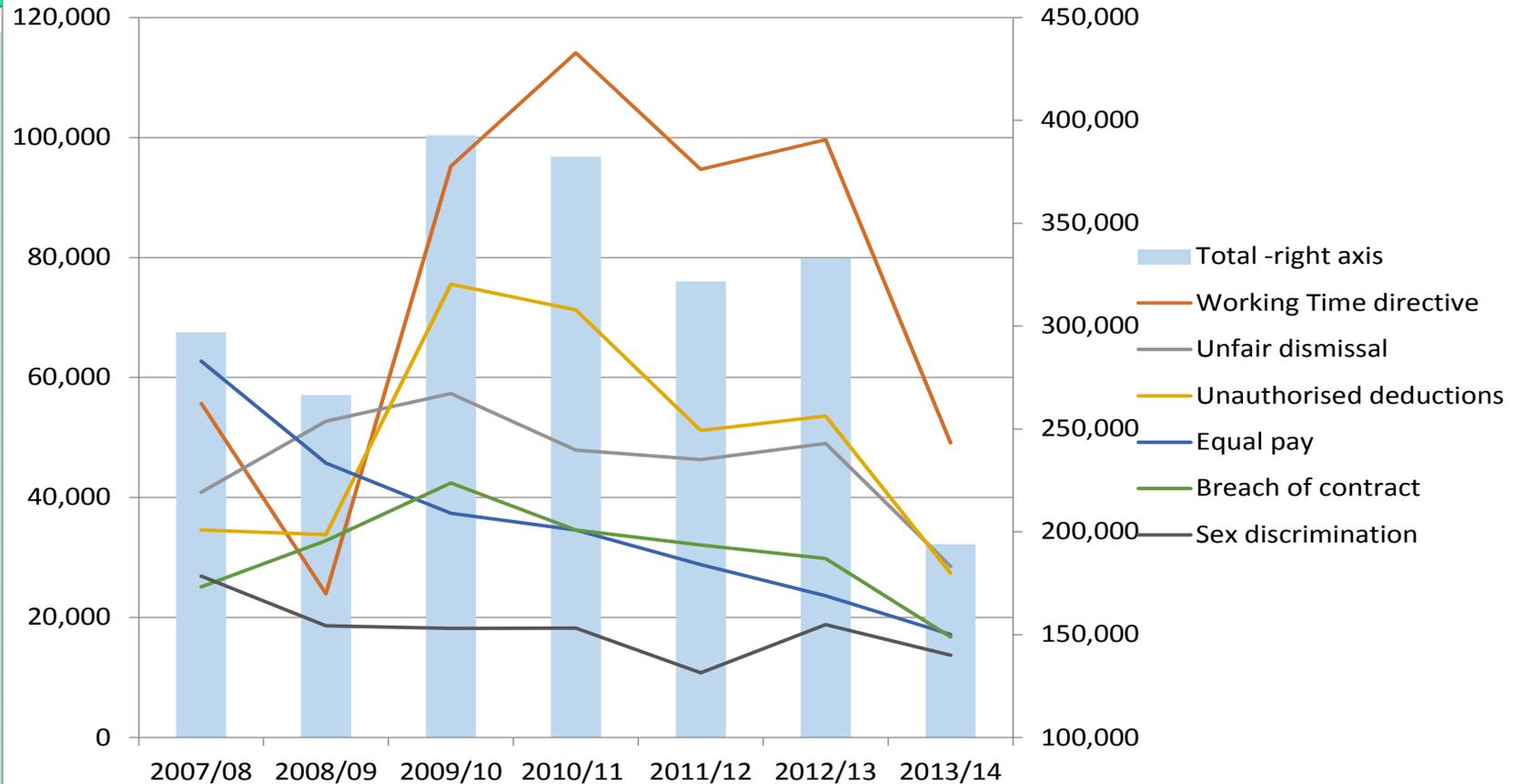


Figure 11.4 The trend in union density by sex, United Kingdom, 1989–2012

## ... .. BUT SELF-ENFORCEMENT CAPACITIES ARE NOW SEVERELY LIMITED

- Introduction of high fees to take cases of unfair treatment to employment tribunal (e.g. equality case costs £250 to issue, £950 for a hearing)
- Evidence of reduced funding of some monitoring & inspection agencies (e.g. halving of EHRC income 2010-2014, 1/3 cuts to HSE) –although strengthening of MW enforcement
- No official role for unions in UK's general inspection regime, so limited remedial actions at workplace level
- Proposed new coordinating role (Director of Labour Market Enforcement and Exploitation) to oversee enforcement of the minimum wage, agency standards and gangmasters

# TRENDS IN NUMBERS OF EMPLOYMENT TRIBUNAL CASES



2012/13					2013/14				
Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Annual Total	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Annual Total
40,305	47,789	45,710	57,737	191,541	44,334	39,660	10,842	10,967	105,803

Fees introduced late July 2013

# NATIONAL UNITY AROUND A HIGHER NATIONAL MINIMUM WAGE

## --THE PROBLEMS WITH AN 'ISOLATED REGULATORY APPROACH TO WAGE- SETTING

- Right- and left-wing governments keen to support a rising statutory minimum wage –Why?
  - a) Fiscal –cut welfare bill linked to low-wage work
    - But then why not go further?
  - b) Legitimation (O'Connor) –offset economic difficulties caused by accumulation crisis
  - c) Crowd out other actors (Aghion et al.)
    - Limited union representation in private sector
    - In low-wage segments the MW is more influential than productivity or skills in shaping wages

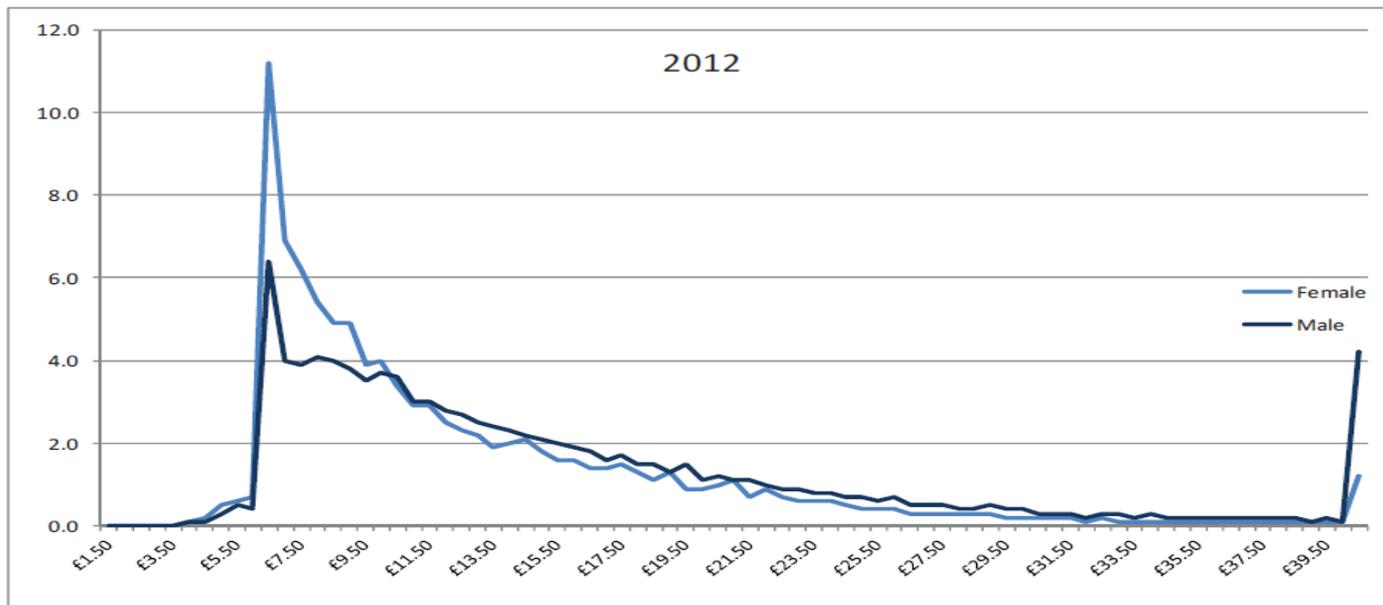
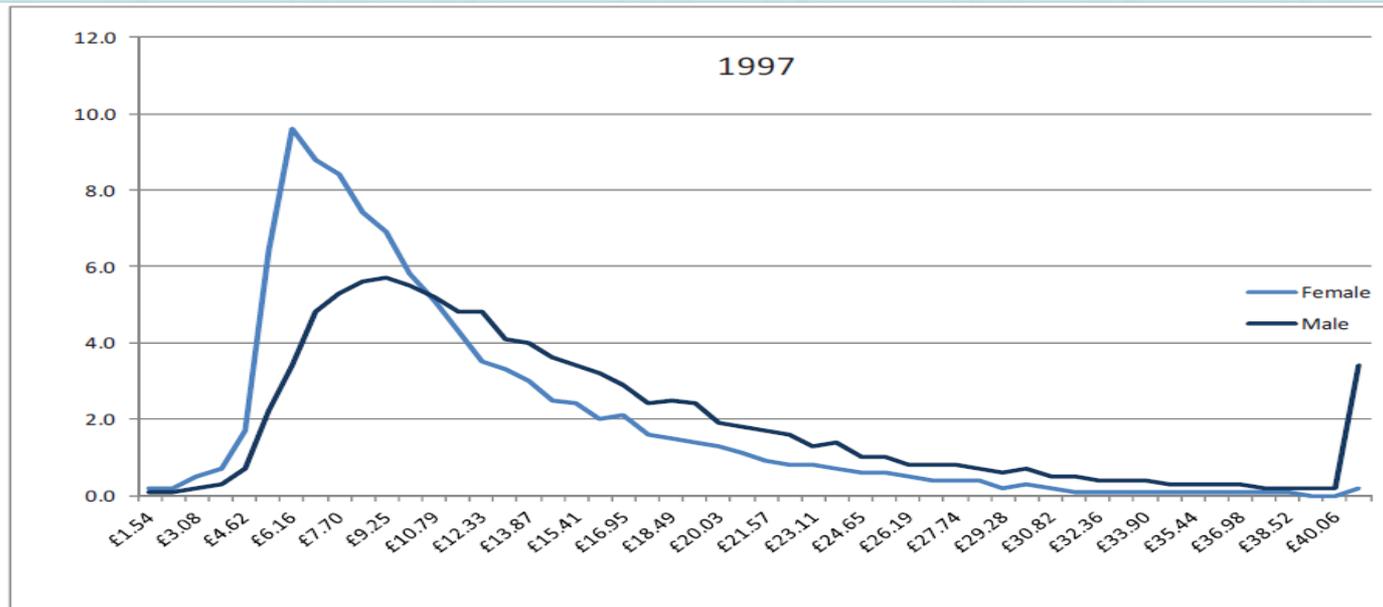


Figure 11.13 The changing real wage distribution for male and female employees, United Kingdom, 1997–2012 (adjusted for 2012 prices)

# POLICY CONCLUSIONS

## What pressures are driving reforms to the UK's social model?

1. Politics/ideology (STRONG)
2. Macro conditions/financial markets (MEDIUM)
3. Demographic/social/economic need (WEAK)

## How to characterise the reforms?

- Part **incremental drift** (*many reforms follow New Labour policy*)
- Part **radical shift** in explicitly undermining goals of ESM

## Irreversible?

- Changed politics of effective size and role of nation state
- Accepted dogma of **pro-capital, residualist welfare society**

## Distributive effects?

- Shift in who pays for the social model
- Adoption of American 'residualist' (non-universal) approach to entitlements
- Low and medium income households experiencing real income decline (working and non-working households)
- Weakened employment rights undermine social cohesion and productive participation in work and society