

Anglo-German Foundation
Deutsch-Britische Stiftung

csg Research Paper | September 2008

Fairness and the Welfare State: the Double Disconnect

by Rose Martin
and Peter Taylor-Gooby



The **Anglo-German Foundation** has funded this research as part of its policy initiative 'creating sustainable growth in europe'. The initiative addresses the emerging economic, social and political challenges confronting governments not only in Germany and the UK, but across Europe and the industrialised world. More information at www.agf.org.uk

Fairness and the Welfare State: the Double Disconnect

**Rose Martin and Peter Taylor-Gooby
University of Kent**

r.martin@kent.ac.uk
p.f.taylor-gooby@kent.ac.uk

Thanks to The Anglo-German Foundation, who funded this study as part of a cross-national comparison of Social Justice and the Welfare State in Germany and the UK.

Introduction

An extensive literature analyses the various pressures on developed welfare states from globalisation and the transition to a post-industrial society with different patterns of work, of population structure and of political formations. One solution is to move in a liberal market direction while retaining a concern with social justice. A prominent example of this approach is the New Labour ‘Third Way’ and associated policies in the UK. These combine greater individual responsibility and use of market competition in welfare with state policies to promote equal opportunities and protect the most vulnerable. Similar policy directions can be identified in most welfare states (Taylor-Gooby, 2008a).

How sustainable is a liberal-leaning solution to the problems of the welfare state? In this paper we present fresh evidence from a discursive study of people’s ideas about social justice and the role of government, examined in the context of national survey findings. We show that many of the presumptions of a liberal individualist and market centred approach are reflected in what most people think. There is broad consensus on

- the market freedom of individuals to use state or non-state services,
- the importance of incentives and therefore of maintaining a measure of inequality of outcomes both to reward those who contribute more and to encourage benefit claimers to take jobs,
- the view that the burden of taxation is too high especially for lower and middle income groups
- that those receiving very high rewards should be expected to pay their way, and
- that fairness involves more equal opportunities rather than equality of outcomes.

However the liberal consensus is set within a broader framework of assumptions that includes the view that adequate universal provision is available to everyone across a wide range of services, and that there will be support for those at the bottom. There is also widespread resentment of those who are seen to take but not contribute, directed most stringently at unemployed claimers, and then at wealthy tax-avoiders.

Interestingly, the most striking divisions in attitude concern the issue of whether those who exercise market freedom to purchase services privately should also be expected to pay taxes to finance state provision (from their own point of view ‘paying twice’ – our tentative evidence suggests that this opting-out discourse was adopted more vigorously by those in non-routine occupations) and over how far equality of opportunity actually exists.

These views follow from the liberal perspective, which assumes freedom to allocate one’s resources how one wishes within a free and open market. They draw on the perspective of the Third Way, that a compromise between the tradition of interventionist state welfare and a more market-centred system is viable, but develop it further. However there is a strong view that the more market individualism figures in policy, the more difficult it is to sustain support for collective provision. This can be argued from a political science perspective, stressing divisions of political interest (March and Olson), a sociological perspective, stressing conflicts between in-groups

and out-groups (Ellison) and an economic perspective stressing the fanning out of inequalities (Atkinson). The problem may be illustrated in what might be termed the puzzle of the ‘double disconnect’.

The Double Disconnect

Commentators have long recognised two related puzzles in attitudes to the welfare state: people appear not to link attitudes to taxation with attitudes to services, being broadly against the former and for the latter. They also express concern about poverty and inequality, but are reluctant to support policies to address these issues.

Tax and spending

The first issue is identified by the Fabian Society in a study which included a national survey and qualitative interviews: ‘the link has collapsed in people’s minds both between themselves and the taxes they pay, and between those taxes and the public services they are being spent on’ (Commission on Taxation and Citizenship, 2000, p.55). Similarly, Hedges concluded from a detailed individual interview and focus group study that, because people typically don’t think about tax and services at the same time, they apply different frameworks of ideas in each area. The former is unpleasant and resented, while the latter is typically valued (2005).

Analysis of British Social Attitude survey data indicates that this disconnect is growing larger. The survey includes separate questions which enable us to distinguish attitudes to tax and spending. The proportion of those interviewed who want spending on health and welfare to be increased rather than cut or kept constant has fluctuated around half since the survey started in the early 1980s. It rose somewhat between 1987 and 1996 and thereafter fell back (Chart 1). Conversely, the largest group in the electorate think tax is about right, and the next largest that it is too high, especially when thinking about tax on low and middle earners. This applies even among those who endorse more welfare spending, raising the question of where the money is to come from. The point is most striking when we focus on views on tax on high earners. The percentage of those who favour higher spending, who nevertheless think tax is too high or about right even for high earners, fell slightly during the late 1980s from 47 per cent in 1987 to 45 per cent by 1996, but then rose to 56 per cent in 2006. Most people want more spending without being willing to endorse higher taxation. They are steadily abandoning any support for redistributive tax and spend from higher to other income groups.

Inequality and intervention

A second aspect to the disconnect concerns inequality and redistribution. Most people view inequality as a problem. Even more are concerned at poverty. 79 per cent stated in 1987 that the gap between high and low income was ‘too large’. This had risen to 87 per cent by 1995 but fell back to 76 per cent by 2006. Correspondingly the proportion sharing the view that ‘ordinary people don’t get their fair share of the nation’s wealth’ rose slightly from 64 to 66 and then fell somewhat to 55 per cent during the same period. Large majorities believed that poverty is increasing or staying the same throughout the period, from 81 per cent in 1986 to 91 per cent in 1994 and to 71 per cent in 2006.

What appears to have changed is how people think the issue should be tackled. Support for state intervention to address inequality is more limited throughout the period and appears to be in decline. In the UK, the proportion stating that ‘government is responsible for reducing differences in income’ fell from 62 per cent in 1987 to 43 per cent in 2004, while support for the view that ‘government should spend more on welfare benefits for the poor’ fell from 55 to 35 per cent between 1987 and 2006, and that it ‘should redistribute income from the better off to those who are less well off’ fell from 45 to 34 per cent over the same period (Taylor-Gooby and Martin, 2008, Table 11.1, see also Johns and Padgett, 2008, p.208). In general, support for the policy declines, when the question is phrased to cover stronger intervention. Chart 2 shows how the gap between perceptions of inequality and endorsement of government action to remedy the problem has changed. Despite fluctuations, the overall trend is to an increase in this gap, from 33 to 42 per cent.

To sum up the apparent inconsistencies, people generally want more social spending but the majority of those who do, don’t want anyone, even those on high incomes, to pay more taxes to support it. Only 29 per cent of the general public believes that taxes are too low for those earning over £70,000 a year. Just 11 per cent think that taxes are too low for those earning £30,000 to £70,000 (Commission on Taxation and Citizenship 2000, Table 2.4, p52; survey conducted in 2000). People also express concern at inequality and poverty but are less likely to endorse redistribution to address the problem.

The double disconnect fits with a liberal approach. Whether or not people favour welfare services and disapprove of inequality, market freedom implies low tax and limited state intervention. The trend to an increase in dissociation in both aspects of the disconnect suggests that the liberal ethos is increasingly at odds with support for basic state welfare. We examined this in more detail in our focus group study.

Methods

This study is based on secondary analysis of national surveys and focus group interviews in Birmingham and London, carried out in 2008 and funded by the Anglo-German Foundation. The eight groups varied in size between eight and 11 participants and included 73 people in all. The sample is not nationally representative. The findings offer an insight into patterns of ideas and the arguments which form the basis of opinion formation, but do not necessarily reflect the national distribution. The sample contains roughly equal numbers of women and men of working class people in routine occupations and middle class in non-routine occupations, and of those aged between 20 and 45 and over 46. Ethnic minorities were included in proportion to representation in the population. Occupation and age were used to group respondents together, with the objective that discussions were taking place among peers. Participants were remunerated for their time (£35 per 90-minute session).

Findings: The Liberal Ethos

The focus group discussions indicated a substantial consensus for the basic features of the liberal market system: freedom for individual to spend their money as they chose on social provision as in other areas of consumption; support for the idea that

incentives are an important tool to influence how people behave; concern about the burden of taxation; concern about very rich people evading responsibility for making a fair contribution to society; and support for the principle of equality of opportunity rather than outcome. Most of those included shared these ideas and there was little dissensus within the groups when they were discussed.

We now consider each of these themes in turn.

1. Market Freedom

The concept of different ‘spheres of justice’ was first discussed by Walzer (1983). He argues that different spheres of society may – should – experience different forms of equal treatment. High degrees of inequality within a particular sphere may be fair, so long as this does not impinge on other spheres. Walzer discusses many different spheres, including love, income and welfare services. We concentrate on welfare services. In particular we look at how our respondents discussed the spheres of education, healthcare and pensions. We were interested in the extent to which it was seen as just that the wealthy can purchase better schooling/ training, health and retirement provision (see also Svallfors 2006). Education and health are perhaps of particular interest, since these services have obvious effects on equality of opportunity. This latter may be seen as an intuitively appealing sine qua non of fairness (see Barry 2002, p19) and has certainly received much policy attention. Yet the survey evidence suggests that, in the UK, only a (significant) minority sees the purchase of superior private services by the better off as unfair. This is unusual internationally: analysis of 1999 survey data suggests that British tolerance of private service use is far greater than in Germany or Sweden and – perhaps surprisingly – also greater than in the USA. This tolerance holds across social class and occupational groupings and may be linked to the liberal-leaning ethos of the British welfare regime (see Svallfors 2006, Table 4.4, p.69).

The discourse of choice is clearly extremely important. This was cited in all six groups in which the question was asked. Greater acceptance of the right of those who can to buy private education and health care is a long standing trend in British Social Attitudes survey data. The proportion of those interviewed stating that ‘it is [somewhat or very] wrong that people with higher incomes can buy better education for their children than people with lower incomes’ fell from 37 to 23 per cent between 1999 and 2004. For health care the fall was almost identical, from 38 to 23 per cent (British Social Attitudes Survey, online analysis at www.britsocat.com). The choice discourse was underpinned by the argument that workers have earned their money and should therefore be allowed to spend as they wish:

Routine occupation, aged 46+

F2: They’ve earned it, it’s their money, they spend it on what they like.

M3: I mean if I’d got money that’s the first thing I would do is healthcare, private healthcare.

Most people sympathise with the motives of those using private services and aspire to do so themselves. Linked to this is the widely-approved justification that elite access to better or faster healthcare and education is yet another incentive to better oneself:

Non-routine occupation, aged 20-45

M3: There's got to be an incentive to get there, there's got to be a reason to go for it and at the end of the day that's survival of the fittest isn't it. That's the law of nature, that's reality.

The concept of completely equal access to the services which are fundamental to equality of opportunity finds little support. Only five respondents, out of 71, voiced doubts about whether such steps might lead to inequality which was unfair in principle.

Routine occupation, aged 20-45

M4: It's your life, it's health, it's different. Like, if you're earning it you have the right to have a better car, a better house and all these assets. That's like you improve your quality of life. If it's your health I don't think – why should you have more of a chance? I don't think that's fair.

However, these dissenters received little endorsement from other members of the groups and their ideas were largely dismissed. Three of the anti-private respondents were ambivalent in their views, changing their mind in response to others' arguments or remaining in favour of the choice afforded by the existence of private sector services, despite their doubts. In particular, respondents felt that any unequal opportunities resulting from private sector use were seen as inevitable, and not something that the state is in a position to tackle:

Non-routine occupation, aged 20-45

F1: All my socialist tendencies here are screaming... it's not fair that somebody can't afford something and somebody else can... Absolutely, that is so wrong... But let's be realistic about this... things always apportion themselves, the fat and the thin: that will always happen.

The more pragmatic argument that doctors would move to the private sector damaging the NHS (a more common concern) sparked some interest from other respondents. This was framed in terms of concerns about service availability and about wasted investment in doctors' training. There were extensive discussions about this topic in three of our groups (non-routine 20-45 and two routine 46+ groups). In each of these cases, the argument of competition from the private sector drawing doctors away was taken seriously – especially when the privatisation of dentistry was brought up (non-routine, 20-45). However, rebuttals were offered: the belief that there will always be doctors motivated by public goodwill, not money (Group 3 – routine occupation, aged 46+); the feeling that so long as doctors “pay back” the investment in their training by working in the NHS for “a couple of years” (Group 4 – routine occupation, aged 46+) they are free to choose where to work and that this is just.

A strong reason for the predominant acceptance of the private sector appears to be that most people assume that universal health and education will continue to be available. Private health services are then seen as a way of taking strain off the NHS, not as a competitor for funds or employees. In all six groups where this topic was discussed, support for private services was with the implicit or explicit caveat that a

state safety net should continue, and be of a reasonable standard and some respondents voiced this assumption.

This view is reflected in the fact that participants in general were far more cautious about the prospect of actually opting out of tax payments. A strong discourse across the groups was that private healthcare was acceptable – but only so long as people continue to pay their taxes.

Non-routine occupation, aged 20-45

F3: If you've got the facility, they worked for it, they've earned it, they can do what they like with it.

M1: Why should they pay twice?

M3: [No,] they don't pay less tax, they're still putting their money in. [agreement from others with M3].

The only respondents to agree with the idea of opting out as a principle were from our non-routine groups. Respondent M1 above puts forward the 'double payment' argument, and in another group this was a much more popular idea, as illustrated below:

Non-routine occupation, aged 46+

M1: ...one of the things that perhaps would make it fairer is if people are having to opt out of it, you know to go for private medicine or you know private skilled or whatever it is, then they perhaps ought to get tax relief on that. I mean you know, having three children in a private school, I don't mind, well I didn't mind paying, my taxes as well, but I am actually getting, I am having, that income that I am putting in there, you know I think it would be much fairer if, I am not actually drawing on the public purse at all, but I am having to pay twice.

Q: So what do others think about this idea of sort of getting, you know, perhaps tax relief because you're not using as much?

F4: There's a lot in Sweden and also you get it on private medical. [voices agree] If you opt into the private medical side, then that portion of your tax is given back to you. [...] Although Norway has a very high tax they have a lot of rebates.

Q: Can you see any problems with this idea of, you know..?

F4: Yes, because the British Government would loathe losing all that tax. [voices agree]. They would hate it.

M3: They're taking 7 months of our pay now. [voices agree].

This suggests that, in addition to the possibility that these attitudes are linked to the liberal welfare regime, they may also reflect complacency about the continued availability of universal services. While in the USA a fifth of the population is excluded from treatment available to others (Barry 2002, p17) the UK has a safety net which at least in theory allows any citizen access to a good standard of treatment. The importance of this in justifying purchase of better healthcare by the wealthy was clear from our focus group results.

However, there were suggestions from some respondents that the universal nature of the services (especially health) cannot continue, and that in any case it is unfair, for two reasons: users of private services were expected to pay twice, through taxes and fees, while some users of state services were perceived not to have contributed enough to public funds to justify access to them. Such views were especially prevalent among wealthier respondents from non-routine occupations. Concern has been expressed that if health and education are seen increasingly as consumer goods then this puts support for the welfare state in jeopardy (Hedges 2005). Burchardt and Propper (1999) showed that it was not possible to identify a significant private welfare class whose values and behaviour rejected universalism consistently. However, some participants in our study advanced the idea of opting out of the universal state system. Some respondents felt that they were paying in at a high level, yet not receiving a commensurate service in return:

Non-routine occupation, aged 20-45

F3: I'm a higher tax payer and have been for a number of years now, and... I don't get any better service. In fact I get a less better service because I have to pay additionally to top up how I want something to be done. Whether it's your rubbish, whatever it is... schooling, and you end up – if you don't go to private school you end up with tutors because the class sizes are too big. So you end up topping up in every dimension but you don't actually see anything better for your money that you're paying in. You still pay NHS...

The second aspect of resentment at taxation concerned those who were seen to be taking from the state but not contributing. This was a very strong theme in all of our group discussions, and almost all respondents expressed hostility to such groups.

Migrants were a particular focus for frustration. Although it was accepted that some migrants are contributors, in six out of eight groups there was a fairly united consensus that on balance migrants take more out than they put in.

Routine occupation, aged 46+

F2: She [a migrant acquaintance of a colleague] works in a restaurant but she gets tips. She doesn't spend a penny over here, she won't.

Q: Right.

F2: She doesn't go to a supermarket, everything she takes back.

F4: It's like the NHS and nurses, where my sister worked, they import the nurses over and they send the money back to their families.

F3: Apparently they are not spending a penny, the Polish here.

Working migrants were perceived to be only part of the problem. Others felt that many migrants were not working and that they falsely claim benefits which are sent back to their homelands. As might be expected, asylum seekers were a source of frustration.

Overall, there is widespread acceptance of freedom to access private services and the non-state sector is not seen as an alternative or as a threat to the welfare state. However the underlying assumption is that adequate state provision remains accessible for all. There is substantial dissensus about whether those who can afford

to opt out of tax and welfare should be required to contribute, and widespread concern about those who are seen to use services but not contribute enough.

2. Incentives for the higher-paid and for those on benefits,

In all of our eight groups, the ideas that tax functions undermines work incentives, and that raising the rate for the highest band would discourage commitment to work and contribute were strongly endorsed. In addition to these economic arguments, higher taxation was often seen as unjust expropriation of what people have worked for. Many felt that the very high earners (star footballers, city fat cats, those on 'rich lists') should pay more in tax, but the level of income at which people were understood to be wealthy was extremely high.

A common argument underlying opposition to tax rises was that the bulk of people in the high-earner bracket are already charged a high rate and that raising the rate penalises work. One might expect that this perception would be confined to those actually hit by the higher rate among our non-routine respondents. However, the argument was accepted in the routine groups, as well, even when the point was pushed by the moderator.

Routine occupation, aged 46+

M3: But why actually penalise people who are successful? It's, you know, an old argument that's been around for years but [interrupted by Q]

Q: I mean I suppose it's just more about sort of slightly raising taxes and kind of redistributing this to, you know, people that are probably not as well off. I am not just talking about people that are unemployed, I am talking about trying to get everyone, you know, to get a better standard of living.

M3: It's still that line though, isn't it?

M1: Another thing is, the tax system is the fairest system that's ever been known. If you're earning it you're paying it, if you're not earning it you're not paying it.

M2: Well that's right, if you're earning £100,000 a year then you're still paying 22%.

M1: That is the only thing we can say is absolutely honest. So once again – why should the higher earners be penalised for such as the likes of me now?

Respondents M1 and M2 have a misconception of the tax system as less progressive than it is in reality, yet feel that this flat rate is right. People should to a large extent be able to enjoy the fruits of their labours.

Attitudes to this issue were affected not only by justice concerns but also by pragmatism. Among all groups the issues of tax evasion and 'brain drain' were brought up as the undesirable outcomes of redistributive tax policies.

Incentive arguments affect not only the well-off but also those on low incomes. In all the groups, the over-riding discourse was one which argued that benefit recipients should take more responsibility and contribute more in return for their benefits. However, there was also sympathy for those who were expected to pull themselves up by their bootstraps. Participants stressed the availability of work and argued that many of those claiming unemployment benefits must be choosing not to work.

Routine occupation, aged 46+

F3: And the other thing is, if you go past the billboard tomorrow in Sutton it'll tell you there's 1,700 jobs in the paper. So why can't they make people take those jobs, how could there be 1,700 and there's all these unemployed?

However, there was some sympathy in that the job opportunities were seen to be unappealing, or agency work which was acknowledged as having short-term prospects.

Routine occupation, aged 20-45

M2: Absolutely, if you can be bothered to do some of the crappy jobs that are out there there's plenty of work.'

For many these 'crappy jobs' were seen as enough:

Non-routine occupation, aged 20-45

M1: Those jobs are – you've got to get your foot into the door at a company and people work their way up from the shop floor all the time. So people who are motivated obviously succeed but everyone has got to start somewhere...

M4: People expect it to happen in five minutes though don't they? Sort of go in and within 6 months, 'I want to be doing this and this'. It doesn't happen, you've got to work at it.

F5: Yes, I mean they also don't always see the avenue, so some people just see that as 'that's an opportunity to get my foot in the door'. [Others think] 'Oh my god that's what I am going to be doing for the rest of my life, I don't want to even start there'.

Routine occupation, aged 46+

F1: It's whether you want the opportunity.

M3: Want it yourself, that's right. ..or you want the easy life. If you want the easy life and sit back you're going to get nothing.

F2: I mean if I am ... 50, if I wanted to go and train as a doctor I could. Do you know what I mean. that option is open to me.

There was considerable frustration at unemployed people. The recurrence of this line of argument throughout the groups, and the gusto with which the subject was taken up, suggests that resentment of the perceived laziness of this group is deeply felt. Cutting across this is an alternative discourse that for long-term sustainability and fulfilment there should be more serious training opportunities. All groups except for one (Birmingham, non-routine, 20-45) brought up unprompted the decline in apprenticeships: the strong consensus was that this decline has had a detrimental effect on youth employment.

Non-routine occupation, aged 20-45

M5: [A] lot of the jobs... they're not permanent positions, are they? They say "There's six month work there for you," then unfortunately you come to your six months, it doesn't matter how good you've done some jobs, "We are getting new people in now".

F1: There's no motivation now, is there?

M3: People shouldn't be stopped from training because they're in work, they should be given an incentive to get better whilst they are at work so that they can. [interrupted]

[...]

Q: Is it Government spending or are you talking about private spending? Would your company pay for their training...?

M3: Well in the instance of probably this gent's business and mine, I am from a building site type base, at the end of the day we have to employ people at that lower level. If somebody would give us half their wage to train them we'd say "Thanks very much, that's half of it we don't have to pay and we'll put half of it in". It comes from both sides. If there's an incentive for you to do it you'll do it, we are quite happy to pay half of a training cost if somebody else pays half, if we get something.

M5: A lot of it, it's agency labour isn't it? [voices agree] It is just temporary, you know its temporary for them, it's temporary for everybody. [Everyone] is really passing the buck.

This more sympathetic approach was reinforced by a strong perception of a continuing 'benefit trap'. This theme recurred in all eight group discussions. Responses to this were that either that benefits should be cut, or that government should create more incentives to work on low incomes (for example, a tax credit style scheme) or regulate to increase the minimum wage.

The harshest discourse, that benefits should be cut to discourage labour inactivity, was put forward quite enthusiastically by some:

Routine occupation, aged 46+

F3: But if they cut it all out people wouldn't get pregnant then, they're only doing it..

Q: Do you think that's true?

F3: Yes.

M5: Yes.

F3: They go getting pregnant especially to [get benefit], I've spoken to people who have said it. [...] Stop them getting money, it will stop.

For many, the level of benefits was not seen as the problem, so much as the inadequacy of low wages at the bottom end:

Non-routine occupation, aged 46+

M3: And we read about the benefit trap... there's no incentive to go out and get a job... I read an article recently where some of these people could be earning somewhere in the region of £36,000 just on the benefits... Why would you give that up and get a job that's paying £25,000 for instance? You wouldn't would you? You'd be mad.

Q: And how can that be changed?

[...]

F1: I think most people like working, they really do.

M2: Exactly, people would like to work, if they assess it correctly and tell them oh we know it's going to cost you x number of pounds to travel to work

so we compensate you a bit for that. but there are a lot, what, travel, all this distance, pay all that money just to go to work, I can't afford it.

F2: What's the incentive?

M3: Can't afford to work, it's a funny thing to say but can't afford to work, they're better off being unemployed and all the benefits they accrue on the back of that.

An example of the comments made in relation to low wages:

Routine occupation, aged 20-45

M3: If you work in Tesco's 40 hour a week, you don't have enough money to even pay rent. Do you know what I mean, and all they're doing is getting immigrants over to do all the work, so even people with trades are getting stitched up at the bottom, do you know what I mean?

Q: How far do others believe this to be true?

M1: He's just about said it all, really.

F1: Yes.

M1: I think we're ready to go home now [group laughter], everything's been said!

Despite endorsement for wage regulation and support, there was little awareness of existing policies with these objectives. The underclass culture was clearly seen as a major issue :

Non-routine occupation, aged 20-45

F3: I would say that people on benefits are on the breadline through choice, because yes they have children and think well I'll get myself a flat, but a lot of them are happy with that: on. It's passed down through the generations... I think ultimately it comes down to a distinct lack of education.... I don't think they're educated enough to know that if they put a bit more effort in ... they can move up levels,

A compassionate version of this underclass discourse placed more emphasis on the benefits of formal education.

Non-routine occupation, aged 20-45

M4: Well I am not 100% sure, I mean I quite agree with these two when they say about, you know the benefits, because that's a big thing. I mean I used to do some accounting and a lady who had two kids, she got three kids and getting more tax credits, so basically the more kids she was popping out the more money she was getting, if I can say that. [voices agree].

F1: I think it's not, I think these people are, almost like what the lady said there, it's like a cycle of deprivation, they are in that cycle and they don't know any different [male voice agrees] I don't think anybody would like sit there and think oh I'll have another child because I'll get an extra £50 a week because we want more than that. But that's their whole expectation. So it's more about education and really educating people from a different point.

Non-routine occupation, aged 46+:

M2: For younger people there should be more emphasis... They are the future generation... [In the East End of London, where respondent had worked] there was no... sense of 'What am I going to do?' and so I think there has to be some emphasis on spreading that [aspiration] around.

For some of the respondents such education was seen as a matter of urgency and of benefit to an extremely excluded underclass. This view was most passionately expressed in two of our routine groups, although this discourse was present to an extent in the non-routine discussions

Routine occupation, aged 20-45

M3: But the thing is we've got an underclass, ... and we're heading towards a very dangerous country. You go to Roehampton at night-time, I've got a pal who's got a scanner and listen to the radio and there's people getting [chivved] and all sorts and it's blatantly – all the time – going on. And the thing is they suppress: they don't want people knowing about the shootings and the stabbings ..., because it would frighten people. ...And at the end of the day, all we need to do is start retraining the people at the bottom, rather than having all these desperate people that are in the under-culture of the drug culture. You need to start giving them work, affordable work where they can afford to live in society, or train them.

Overall, participants were committed to incentives for the better-off and resented what they saw as high taxes. Correspondingly, they saw benefits as a disincentive for unemployed people to find work and strongly resented those seen as claiming benefits as an alternative to employment. Attitudes are complicated by widespread awareness of the poor quality of jobs at the bottom end in a flexible labour market and support for wage regulation and supplements by some but not all participants.

3. Tax Burdens

In addition to the concern with incentives discussed above, , there were pragmatic anxieties among respondents about the impact of taxation on their own living standards. This was particularly strong among respondents with non-routine occupations. The growth of the media perception of the 'coping classes' has recently been highlighted (Guthrie 2008) – describing the feeling among those well above median income that they are just 'getting by', due to their high expenditure and self-comparison with extreme wealth. This appeared to apply to many of the respondents in our study. The excerpts below give only a flavour of a widespread feeling from some higher-income respondents.

Non-routine occupation, aged 20-45

M3: The level that the higher rate is set at is now not actually appropriate at all for a high rate, it is only a, what we might call a generous wage, not a high wage.

Non-routine occupation, aged 46+

F5: I would say exactly the same, myself really, I think middle England is probably a huge bulk of people, I think a lot of people have slightly come up to the middle group, but I think it's a struggle to stay there.

Q: Why is it a struggle to stay there?

F5: [I]t seems... that middle England seems to be hit on everything... You are trying to bring your, educate your children, for them to then get onto the property ladder. And I think your job that you do as well, by the time you've paid all your expenses, i.e. your taxes and your insurances and you try to be responsible and take out a pension scheme, health insurance, health insurance for children, house contents insurance, all the bills that you tend to pay, there seems to be very little left over, for ever taking yourself up.

Q: Why do you think that might be? Cost of living, salaries, what's the reason for it?

F5: Tax.

While there was frustration at the lack of pressure on some to pay tax, this referred to the very top earners, while all our respondents (including the higher earners among the non-routine groups) viewed themselves as relatively impoverished:

Non-routine occupation, aged 20-45 [Speaker is director of a building firm, earning over £40,000]

M3: ...[I]f I was a footballer earning 20 million pound a year I really wouldn't mind if they taxed me at 50%. I'd be in a privileged position and able to give to society and I'd be pleased to do so to be quite honest. As I say I think the, it's down in the lower echelons

There was also concern about this ability to pay among our respondents from routine occupations. It was clear that respondents had observed (either through direct experience or through media sources) price rises for many items. As for the non-routine respondents, taxation was seen to be a significant cause of struggles with living expenses:

Routine occupation, aged 20-45

M2: ...[Y]ou've got super tax on petrol, you've got super tax on, you know... the road tax on cars and then the house prices up, I don't think that [inequality or lack of opportunity] is the problem. I honestly think it's just living costs are really expensive and it's only because it's been super taxed. If you take, if the Government decided not to do it then ...

Q: I mean just again go back to these two options, which option do you think, if any, you think Government should be doing?

F2: Well they already charge something like 40% don't they, to people on a really high salary anyway, so it's not going to make any difference anyway, the first one [an option in the moderator's question, of slightly increasing tax on the wealthy].

M4: Well simple things like when you, you're going to buy a house, you had, the minimum stamp duty is already so high, so if you buy a house anywhere, over £250,000 mark, you're paying three times the stamp duty when the costs of properties aren't so high, so you're being forced into that bracket

anyway, Richer just turning richer and richer and richer and the poorer getting poorer. It's become like old Russian society when you know you're going to have suddenly a great upheaval.

The conversation above illustrates a perception mentioned and sympathetically received across our discussion groups – that tax is already at a high level for all levels of society.

4. Limits to Tax

The idea that the government simply cannot control taxation was a common theme. Broadly speaking, the two sides of this coin are that:

- i) the very wealthy can marshal resources which allow them to pay minimal tax;
- ii) government lacks the power to collect tax from the very wealthy.

The idea of the wealthy being able to negotiate the tax system to their financial advantage was present across our groups. In the second example below, there is some perception that government colludes by offering tax breaks and leaving loopholes. However, despite the frustration, it was by and large accepted as a pragmatic government response which will continue..

Non-routine occupation, aged 20-45

M4: It's like Lewis Hamilton – earned nothing all his life and the first year that he is going to actually pay anything he decides to go and live in Monaco. [agreement from others in group].

Non-routine occupation, aged 46+

M3: Well the richer people are paying higher taxes. They're in the higher bracket already, but they have means of getting out of that. You know, there's all different scams – well you're not supposed to call it “scam”. Like trusts, etc etc.

M5: Very rich people employ accountants to sort [their taxes] out. [voices agree }

The government's lack of control was seen as being exacerbated by the possibility that the wealthy will go abroad. It was taken for granted that if the wealthy are made to pay more, they will leave:

Routine occupation, aged 20-45

M3: We just drive people abroad as well, I mean if you earn a lot of money you would just leave the country. [In response to similar points from other respondents: some consensus on this idea.]

In general, most people think they are too highly taxed, with a particular resentment among those on higher incomes, confirming the pattern of attitude survey data. In addition most people believe that tax is at the practical limit.

5. Opportunities and Responsibilities

Opportunity and responsibility go hand-in-hand. People can only take more responsibility for outcomes and not rely on the state if opportunities to do so are available to them, and if they grasp the opportunities.. At the start of the interviews, the participants were asked what they felt a fair society was and what is unfair about society today.

The statements attracting most agreement and approval were those stating that “equality of opportunity” already exists to a large extent today. Especially at the beginning of the conversations, many respondents insisted that opportunities are already equal, since everyone has access to universally-provided education and health. **However, when the concept of the ‘postcode lottery’ was brought up by respondents in some of the groups, there was agreement that this was a problem,** despite the conviction that equal opportunities exist. The rationale behind this apparent contradiction (the feeling that equality of opportunity exists, although people are aware that inequalities do exist in fundamental fields like health and education) appeared to be to do with beliefs about individual agency. People should take responsibility for addressing such **challenges**. **Such** pro-activity in managing inequalities of opportunity was seen to depend on individual choice, shaped by personality and peer culture.

Non-routine occupation, aged 20-45

F3: I grew up in one of these inner-city impoverished areas. We had nothing, poor, I went to a school – talking maybe 20 years ago – where they used to glue sniff in the toilets, fight the teachers, drink in the lessons... I have not continued that trend with my children, you know, I pay over the odds for my house because I wanted my kids to be in a completely different school.

F1: Yes, and I bet there aren't many like you. ...

F3: ...I bump into people maybe in the supermarket from school and I think god, life hasn't been kind to you – but you know what, it was their choice. [voices agree].

Although respondents, as above, explicitly referred to their own ability to pay for better services, their outcomes were still explained in terms of choice and behaviour and this was condoned or at least unchallenged by other respondents. Among those employing this discourse, there were few if any signs that they felt that they had had any advantage, although there was a belief that the culture could be changed through education or upbringing..

Routine occupation, aged 46+

M3: But I think it's like we said, life is too easy for them now, they know they can go and get money, whatever, off the dole or whatever, and then they are not going to work, they don't want it.

M1: People make choices in life, whether you choose to have a baby when you're 16, 17, you know you've... made that decision...

F2: When we left school we went straight into a job, we didn't think of going and signing on. [agreement from others in group]

We can also examine the extent to which respondents believed that people can and should take responsibility for themselves in the employment market. We asked respondents about the extent to which unemployed people should be expected to be proactive in finding work. Most participants strongly emphasized Individual responsibility, especially for younger people. This led to calls for National Service and other schemes to promote a responsible culture, as well as a parallel discourse that benefits for the under-21s should be cut. However, government should also support opportunities. Members of all groups agreed that, while unemployed should display flexibility in their labour market behaviour, re-training and job entry schemes were essential

Routine, aged 46+

M3: Over the years jobs have changed, industries have gone, skills have gone and all the rest of it. you can't expect people to train and that job to be there forever and a day. You know, you might be okay in IT, computers etc, but that doesn't say it's going to be there tomorrow. You know, that might disappear and something else come in. And then you've got to re-train again.

Non-routine, aged 46+

M1: For instance, take for instance I think there could be a lot more training for jobs in this country, right, and I think that if people are out of work they should be given the choice to go and do a job and be trained but to a certain extent if they're not prepared to do it they should be penalised

[followed by consensus that there should be more apprenticeships, sponsored or subsidised by government]

Previous schemes were agreed across the groups to have been ineffective.

Non-routine, aged 20-45

F1: I've been involved with Train to Gain, all those things from a managing point of view and they're not that good. It is like the old NVQs, they're just – it's money not well spent, it doesn't mean anything.

There was also a feeling that for many the retraining has been inappropriate :

Routine, aged 46+

M4: I mean you say re-train but – if there's a job at the end of it it is all well and good. But it was on the television the other night, a physiotherapist. I think... three out of ten... that's qualified would get a job. You know, so it's a waste of money to be perfectly honest with you.

However, despite these concerns there was desire for government to provide incentives and subsidies to make quality training economic for employers and trainees.

With regard to taking other steps, such as moving house, there were some reservations and respondents were fully aware that this would involve considerable costs and might leave the mover vulnerable and without a support network.

Routine, aged 46+

F4: In areas that we've just talked about where say the mining industry up North where the industry has completely gone but chances are it is harder for them, but what's stopping them from moving?

[...]

F2: Money. Not everyone can afford to up and go, you know, if you be realistic.

F4: But if they haven't got a job somewhere where they are living at the moment and there's a job for them somewhere else..

F1: Yes but if you are in a Council house up north there's no saying that if you moved to another place they're going to give you a council house.

[...]

F1: Then you've got to move the kids out of one school to put them in another school, you know there's a lot..

F4: Schooling is free, if schooling is free.

F2: The schooling wouldn't bother me.

[...]

M1: If you can make a living out of it.

F1: If you've got a family to relocate I don't think it would be worthwhile to work in a catering job.

Q: Right.

F1: If you are a single person it is a lot easier, but if you have got to uproot the whole family.

[...]

M1: It's normally those on big salaries.

An opposing discourse was present – the argument that migrants for example take huge steps to better themselves – “F5: The Polish do it, don't they?” (Routine occupation , aged 46+), and therefore Britons should be willing to move within the UK.

The compassionate discourse tended to be stronger. The consensus of the groups where this discussion took place tended to be that moving had to be worthwhile financially, and that families (especially children) could suffer..

Some respondents, particularly those who had experienced unemployment themselves, expressed concern about the lack of opportunities to escape poverty:

Routine occupation, aged 20-45

Q: What do you think is unfair in society today?

M3: Well just about, the way everything's stacked... Everything in society at the moment is shit on everyone at the bottom, blatant, That's all, as far as I'm concerned you've got Tesco's making £3 billion profit, right, if you work in Tesco's 40 hour a week, you don't have enough money to even pay rent. Do you know what I mean, and all they're doing is getting immigrants over to do all the work, so even people with trades are getting stitched up at the bottom,

Q: How far do others believe this to be true?

M1: He's just about said it all, really.

F1: Yes.

Almost all participants endorsed equality of opportunity but laid little stress on the term ‘equal’, and argued that individuals should take responsibility for grasping available opportunities. The discussion also favoured the activation agenda, but also recognised the importance of providing good opportunities for retraining and support moving between jobs. The consensus is for ‘flexicurity’ rather than simple ‘work first’ approach.

Assumptions about the Welfare State

The responses reviewed so far cover the dominant themes in the focus group discussions. They indicate the existence of a substantial measure of agreement with a liberal market ethos: opportunities are relatively open and people should be free to pursue them. The role of government is to encourage, and certainly not to hinder this process (through tax burdens or perverse incentives). However the market view was paralleled by an equal commitment to basic welfare provision.

In all six of the groups where the question was asked, there was consensus that citizens should be able to expect certain services from the welfare state. Education and healthcare were seen as absolute givens in response to our question asking them what people should always be able to expect as a right from government. This follows the survey findings that the vast majority of the public wants more or the same amount of taxation and spending on ‘health, education and social benefits’ (British Social Attitudes survey). Typical responses were that health and education are ‘basic needs’ (M2, Routine occupation, aged 20-45). The humanity of offering these services was a point of national pride: ‘it’s the one civilising thing that this country has... it is a very civilised system that everybody gets free healthcare’ (M5, Non-routine occupation, aged 46+).

Consequently, there was clear support for improving these services. In particular, several respondents commented on the patchiness of provision – especially in education.

Non-routine occupation, aged 46+

F3: There’s no equal opportunity in terms of education because it’s post-code.

Q: Okay.

F2: I was going to say that. [many agree]

Q: One second, can I just get this lady first and then I’ll come onto you.

F3: It’s post-code, it’s parental input, housing, all of these things. You’ve got large immigrants and social mobility in terms of that at the moment – a different type of social mobility. And if people cannot speak English then their children are disadvantaged. All of these things, and you’re going to, there’s a whole area down there that people are busy looking the other way from.

Routine occupation, aged 20-45

M2: [T]he sort of way that it tends to, er, come across from Government is... this sort of idea that everyone has got a choice. “Everyone has got a choice” – but that doesn’t work because there’s still a limited number of good schools

and good places in schools so it doesn't matter that there's choice, to me, in theory.

It is notable that not all respondents took this line. There was a fairly strong discourse among those who felt that there were in fact equal opportunities and that services did not need improvement because anyone who really wanted to better themselves and send their children to a good school could do so, either by being pro-active in the state system or by sending their child to private school. However, this theme of opportunities being there for the taking by determined people was stronger in other areas (particularly adult training and the employment market): applied to childhood education this was very much a minority view.

Few people (mainly in the working class groups) supported explicit state redistribution to advance more equal outcomes. The general picture was that equality of opportunity as a principle is fairer (in that it is right to reward hard work) and better for the economy (in that entrepreneurship feeds other areas of the economy and increases general wealth) than equality of outcome as achieved through redistribution by the government. The common objection to cash redistribution was that it is an outdated concept which has been proven to be uneconomic and which penalises those who work hard.

Non-routine occupation, aged 20-45

M2: That's more like socialism... I don't think that's going to be a successful idea. It didn't work in many other countries and I don't see how it can work in this country. Basically you're taxing hard working people, as simple as that.

Non-routine occupation, aged 20-45 M3: At the end of the day there should be somewhere in between where you are allowed to succeed. Naturally if you succeed under the current system you'll give more anyway... If you earn double you give double. You don't need to increase [the] percentage: you're giving double anyway because, so I think equality, that's moving towards – I am not very up on politics with Russia and all that – they've tried that haven't they? [...] I think the latter option there is to me one that will benefit more.

However, a challenge for policymakers interested in implementing policies to promote equality of opportunity is that, although there was support for equality of opportunity as a justice principle, reactions were more muted when it was proposed as a policy objective. This was perhaps partly due to fatigue with a phrase that has often been repeated by ministers and which is beginning to generate scepticism as a result. For instance:

Routine occupation, aged 20-45 (in response to question about government's role providing equality of opportunity vs. equality of outcome):

F3: Well I don't believe none of it, none of that crap.

F4: I don't believe any of it.

Yet it did not appear to be simply a problem with the phrasing of the question: there was genuine doubt about whether policies designed to reduce inequality of opportunity can be effective. Respondents were sceptical about government competence in implementing services, with high profile expensive schemes such as

the Millennium Dome, the Olympics and various failed IT systems (in the NHS and in the civil service) being referred to as examples of inefficient government use of funds. This is perhaps symptomatic of the increasing scepticism for and lack of trust in government instruments (Taylor-Gooby, 2008b, chs 9 and 10).

Although redistribution as an abstract concept was not endorsed, many participants felt that government has a role in ensuring security for those at the bottom of society. Concerns about the low level of wages, particularly marked in London (as might be expected) have already been noted. Respondents clearly favoured an intervention of some sort from the government in this area. This was partly to ensure a standard of living:

Routine occupation, aged 20-45

F1: Well it's too much and it seems that the job isn't paying you enough to cover your mortgage; people can't get on the ladder now...

Q: And how can this be changed?

M3: By building affordable housing...

It was also seen as a way to encourage work and improve the justice of the wage distribution. Market forces were seen as inevitable to an extent, but there was often a feeling that government was not doing enough to ensure a standard of living for low-income workers, although there was clearly a split 'loyalty' to government and to companies for shouldering the responsibility:

Non-routine occupation, aged 20-45

F1: I think [the wage level] comes to supply and demand doesn't it, that's the problem... ..But I do think if the Government were more accountable for the money that gets paid in and where it's distributed, then actually the top-ups that they could give to companies or people on minimum wage – because if you're a mother or a parent or a family on minimum... there's just not enough money to pay your rent, your tax and all your household bills and live...

Equally, concerns about the development of a potentially dangerous underclass were seen as another reason for the government to intervene, as discussed earlier in the paper (page 12, end of section 2). However, respondents did not link these concerns to their parallel concerns about the burden of taxation.

The counterpoint to these attitudes was resentment at the benefits culture and disincentives to work, so that attitudes towards the working poor were clearly very different to attitudes towards the unemployed. Even where respondents had harsh attitudes to those excluded from the labour market, there is still a paternalistic role for government envisaged, whether in the policing or conversely in the protective mould.

Routine, aged 46+

M5: Shame them into [work].

F3: That's right.

M5: Don't let them, shop at the same shop that has given, give them the tokens so you've got to go and get your food from there.

F1: That's what they do in America.

Extending labour market opportunities was perhaps the strongest area where government was seen to have an enabling responsibility. This is clear from the advocacy of government-sponsored apprenticeships and (higher-quality) training discussed earlier .

The government is seen to have an important role in providing incentives and as enabler and enforcer of citizens' responsibility to society. It should ensure that people fulfil their reciprocal obligations to win the right to their benefits and provide basic services so that those at the bottom do not become excluded. However, help for the poor was constrained by the need to enhance incentives, and by the perception that jobs are in any case available. Individuals are expected to take the greater share in responsibility for outcomes.

Conclusion

Recent developments in welfare policy endorse the view that the underlying basis of attitudes to social provision is moving in the direction of support for the liberal market ethos, following the logic of the Third Way. The evidence of the focus groups and of the attitude surveys indicates a substantial consensus on this. One aspect of this is the assumption that more liberal approaches to welfare will be set within a framework of basic universal state provision. At the same time there is support for market freedom and for state withdrawal from intervention. These points are endorsed by most participants. The areas of dissensus are to do with how far better-off groups should be prevented from opting out of both using and paying for state services and over the extent to which the existing system achieves a real equality of opportunity. It is noteworthy that resentment is strongest against those who take services for which they are not seen as contributing, and that this is directed most vigorously downwards, at non-working claimers and secondly upwards at those on very high incomes who evade tax. There is a strong element of pragmatism in public attitudes. Most people believe that government is limited in what it can do to constrain the rich and in how far it can realise equal opportunities.

The growing disconnect between support for spending and for the taxation it entails reflects these concerns. People endorse the role of government but also resent what they see as high taxes. The second disconnect, between perceptions of inequality and demands for state intervention, is reinforced through assumptions about the limited capacity of government in a more globalised world. The overall picture is of support for basic welfare provision, and pragmatic acceptance that society is growing more unequal. The next question is how far this affects the long-term stability of the support for state welfare.

Bibliography

Barry, B. (2002) "Exclusion, isolation and income" in J. Hills, J. Le Grand and D. Piachaud (ed.s) *Understanding social exclusion*, Oxford: Oxford University Press, pp13-29

Commission on Taxation and Citizenship (2000) *Paying for progress: a new politics of tax for public spending*, London: Fabian Society

Guthrie, J. (2008) "We feel broke, but not for a lack of money" *Financial Times*, page unknown, Thursday 28th February

Hedges, A. (2005) *Perceptions of redistribution: report on exploratory qualitative research* CASEpaper 96, London: STICERD

Hills, J., J. Le Grand and D. Piachaud (2002) *Understanding social exclusion*, Oxford: Oxford University Press

Johns, R. and S. Padgett (2008) "The role of government: public values and party politics" in *British Social Attitudes: The 24th Report*, London: Sage

Svallfors, S. (2006) *The moral economy of class: class and attitudes in comparative perspective*, Stanford, CA: Stanford University Press

Taylor-Gooby, P. and R. Martin (2008) "Trends in sympathy for the poor" in *British Social Attitudes: The 24th Report*, London: Sage

Taylor-Gooby, P. (2008a) 'The New Welfare Settlement in Europe' *European Societies*, vol 10, no 1, 3-24

Taylor-Gooby, P. (2008b) *Reframing Social Citizenship*, Oxford University Press, Oxford.

Walzer, M. (1983) *Spheres of justice: a defence of pluralism and equality*, Basic Books

Chart 1: More spending and tax on high earners.

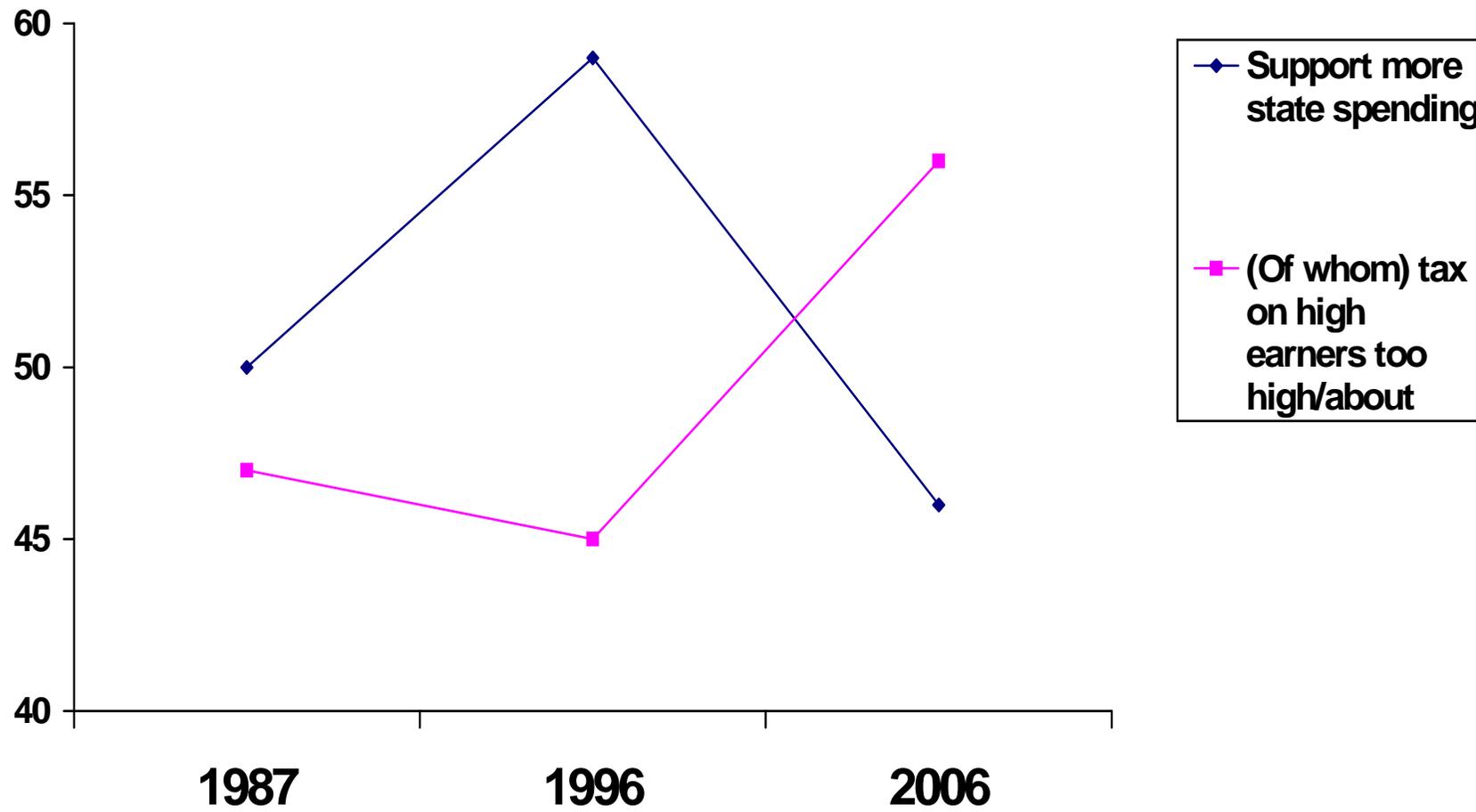


Chart 2: Inequality and state intervention

