Funding the Future

Why the UK does not have a welfare crisis

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Britain is supposedly facing a welfare spending crisis. Politicians, newspapers and television commentators are demanding cuts to benefits because they claim that the country can no longer afford its social security system.

But what if the crisis they describe does not actually exist?

In this video, I examine the UK government's own figures for social security spending since World War II. They tell a very different story from the one we are being sold.

Yes, spending has increased in cash terms. But inflation explains much of that apparent increase. And, when we compare social security spending with GDP and total government expenditure, the supposed crisis largely disappears. Nothing justifies the claims that spending is now heading out of control.

The biggest long-term increase has been in state pensions, but that simply reflects a growing and ageing population. We always knew that would happen.

Meanwhile, support for unemployed people, children and low-income families has been squeezed. And whilst disability and sickness payments have increased, the figures need to be understood in their historical and economic context.

So why are politicians demanding further cuts?

I argue that this is not really about controlling spending. It is about scapegoating people who need support, while refusing to acknowledge the failures of an economy that increasingly excludes those who cannot fit its demands.

This is an economic argument by those who make it, but it is also a profoundly moral one.

My argumemnt is that we should be asking how to provide everyone with dignity and security, and not how to make vulnerable people poorer. If we have a crisis, it is because too many people just do not care. That is the issue we really need to face.

https://www.youtube.com/watch?v=C89jDlwF1vs?si=f7q3PtbeaKC9s0HT

This is the audio version:

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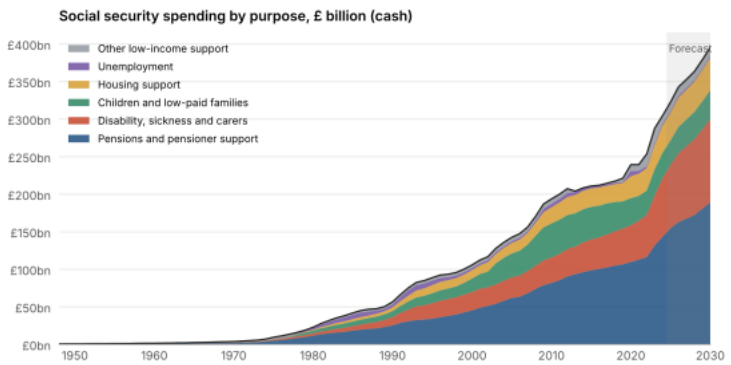
This is the transcript:

Over the last week or so, we have heard numerous attacks on what is called the ‘Welfare Budget’, but which I like to call the ‘Social Security Budget’ of the UK government.

The attacks have come from Kemi Badenoch, as leader of the opposition, who wants this budget cut. It seems that every newspaper and every television commentator shares the view. I’ve heard Channel 4 challenge Labour ministers on cutting welfare, as they call it. ITN has been doing the same. It’s everywhere.

The claim is that we must cut benefits. But why? Why, at this moment, is it apparently so desperate for the government to set out to make the poorest people in our economy very much harder up? That’s the question I want to ask, and I will tell you now: there is no logical answer to that question. The data doesn’t support the demand.

Let’s look at this chart.



I’ve created the charts in this video from data published by the government on welfare

spending, as people now like to call it, but social security spending, as I insisted, is from 1946 onwards. The data is available, published by the government, and this is from their latest publication.

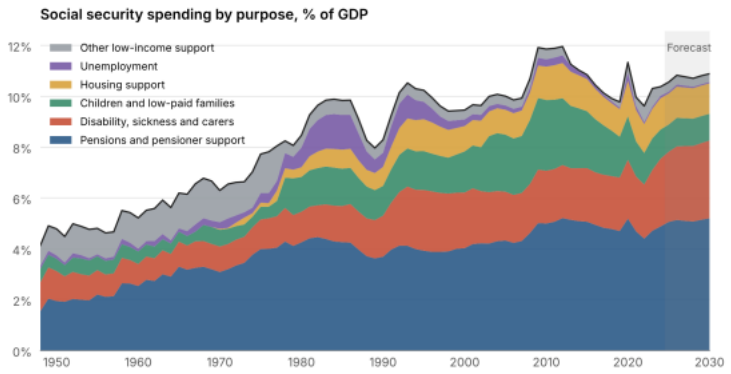
And what it shows is the expenditure on the various headings that make up the total social security budget, plus those that are forecast, but that does not include the latest budget projections: it includes those projected a year ago, but which were known to the government at the time that this particular forecast was prepared.

And the point is, when we look at the right-hand side of this chart in that grey forecast zone, it looks as though expenditure is rising, and quite steeply. And that seems to me to be the reason why we have this paranoia at the moment about the fact that welfare spending is going to rise from a figure of a bit over £300 billion a year at present to something a little less than £400 billion by 2030/31.

Now, the fact is, this does not represent the true picture. There is inflation in this chart. It's obvious that there is.

Of course, there was spending on unemployment benefits and support for families and so many other things in the 1950s and 1960s and even into the 1970s. I can remember my mother going with what was called the 'Family Allowance Book' to the post office to claim the money for me and my brothers when we were very young. There was a payment at that time. My family benefited from it. But the figure hardly appears on this chart, and the reason why is inflation. And our politicians and our commentators are all being confused by this fact.

Now, let's look at this second chart, which shows social security spending by purpose, as a percentage of GDP.



And this chart is important. There are some odd bumps in here, but overall, let's look at the trend.

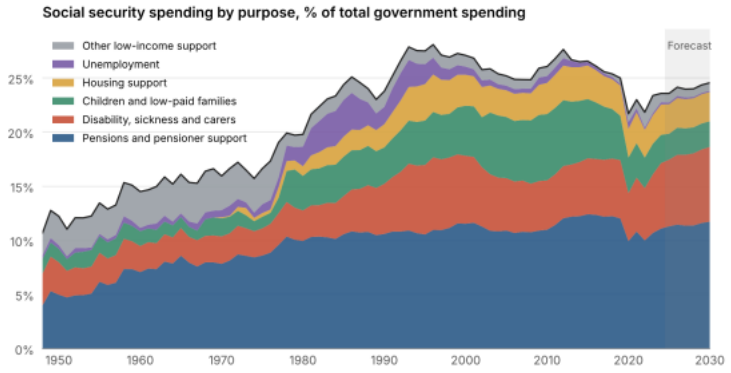
The odd bumps include the period from 2008 to 2011, when, of course, GDP was depressed by the fact that we had the global financial crisis. There's another bump in

2020. Why? Because GDP was depressed again, and that time it was because of COVID.

But if we look at the overall trend of payments since around 1990, when it was quite high, and that was because of unemployment and a recession at that time, there has been a very slow trend upwards at best. And what is that explained by? That is explained by the bulky blue part of this whole chart, which is pensions.

Pensions have risen. They're going to rise. That's because there are more baby boomers in retirement than there have ever been retirees before, and the cost of them is going up. But that is the influence on the forecast.

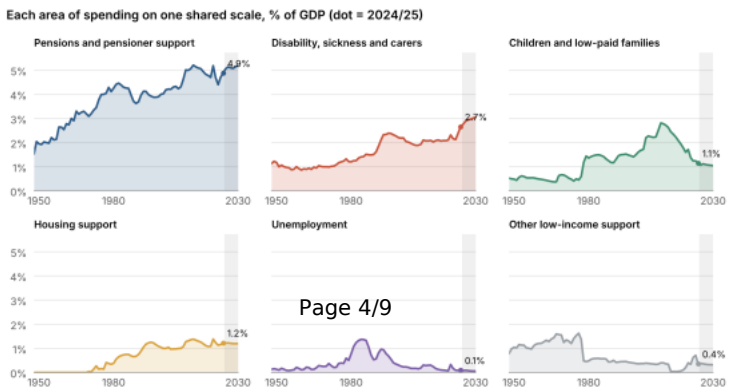
Now look at that forecast in proportion to GDP.



It's a very small increase at most. There is no crisis with social security spending in this country at this moment. The evidence does not support any suggestion that there is.

Look at this figure again. This time it's been redrawn. This time it's drawn as its percentage of total government spending. And there are some strange phenomena in here, which I will look at in detail in a moment. But again, actually here we see that pensions are not rising dramatically as a proportion of total government spending. It is true that the orange section, disability, sickness, and carers, is growing, but only to levels previously seen, with nothing exceptional overall. And the forecast is for a level of spending as a proportion of total government costs, lower than those from 1990 until the late 2010s. The point is: there is no crisis.

But there has been a very real change in the levels of expenditure. And that is what this chart of those types of expenditure, shown cumulatively on the previous charts, demonstrates.



The cost of pensions in the UK as a proportion of GDP has risen. We're talking about from 1946 again, right up to date. And the point is that if we look at pensions: in 1950, the total cost of the old-age pension was around 2% of GDP, and now it's heading for around 5% of GDP. Why is that? We live longer, and the retirement age has not increased proportionately to life expectancy. And so we pay people for longer, and people live longer. The consequence is we spend more.

The question we have to ask, then, is: why are all those who are demanding that the social security costs be cut demanding that people who have an old-age pension should live with less? Because that's exactly what they're saying.

And remember that for at least 20% of people on the state old-age pension, that is their total income. They have nothing else to support them. So around £13,000 a year is what they have to live on, and we are seeing politicians demand that they have less.

Now, there are other old-age pensioners like me who also have a private pension or an employer-provided pension as well. And the fact is, yes, I am not totally dependent upon this money, but it was always part of my planning for retirement. And I might still be working now, but this channel does not earn me a great deal of money, let me assure you of that. And the fact is that I am dependent in that sense on the old-age pension as much as most people are. And taking this away would have a material impact upon the well-being of millions of people in the UK.

And let's be clear about it, because there is a multiplier effect if you remove income from pensioners, because they will spend less, and therefore there will be a ripple-through effect, right through the economy, as a consequence of others not receiving the income that they spend; the consequence of cutting this social security spend would be enormous. And this is the one spend above all else which dominates the total Social Security budget. So the question is: why do politicians want to punish our pensioners for simply being alive?

There's one other area where, as you can see, costs are rising. But let's talk about those areas where costs are falling first of all, because I think that matters.

Look at the children and low-paid families section of this chart. It is declining. It is declining considerably. Our generosity to families is simply disappearing. And why? Because Universal Credit has punished families. That was its intention. That is what it has delivered. And as a consequence, the spending on families has gone down. So in a neoliberal world where the family is meant to be the centre of life, we aren't supporting people to live.

We're not supporting those on low incomes either. Just look at that bottom right-hand grey chart and the figure there is tiny. 0.4% of GDP is spent on supporting people on low incomes, whilst our total expenditure on unemployment has crashed.

Margaret Thatcher created that bubble in the middle of the chart. She deliberately created unemployment in the UK to destroy the trade unions, and we paid an enormous price for that in terms of lost industrial capacity, lost social justice and unemployment at the time. She used the gains from North Sea Oil to pay unemployment benefits, and as a consequence, we had no long-term wealth fund, as a result, either. She did so much harm to this country. It's almost impossible to count.

But now we spend just 0.1% of total GDP on people who are unemployed. We basically don't support them at all. So to claim that there are people sitting around doing nothing is just absolutely wrong. People who are unemployed are not supported. They have no choice.

At the same time, the figure to the left of that chart of unemployment is significant. Let's just look at that. Because Margaret Thatcher sold council houses, and they weren't available, we had to provide housing support to private landlords. We didn't supply housing support to tenants of private landlords. We supplied it to the private landlords. The private landlords actually get the payments directly to them. And we're paying 1.2% of GDP to support private landlords so that people can live in their properties, but they gain no benefit. They previously had council houses. Now they have worse, almost invariably, private-sector accommodation, and the landlord is gaining. This is an abuse of the benefit system. The clearest one there is.

So let's go back to the other sector where there is an increase in cost, and that is the chart in the middle of this table on the top row, and that is disability, sickness and carer's payments.

These were around 1% of GDP, or thereabouts, in 1950, when they were more than half of what pensions were, and now they're heading for 2.7%, which is near-enough half of what pensions are going to be.

So there has been no real change. The cost of supporting people with disability and sickness has risen, but that reflects growing old age. Again, there is a bubble in the 1980s that was the consequence of Thatcher. When she was getting desperate about rising unemployment, she began to encourage people in the late 1980s to claim disability benefits instead, so people came off the unemployment register. Her figures looked better, but people were paid disability allowances instead, whatever the name was at the time.

They then stabilise for a period of time, and now they're rising again.

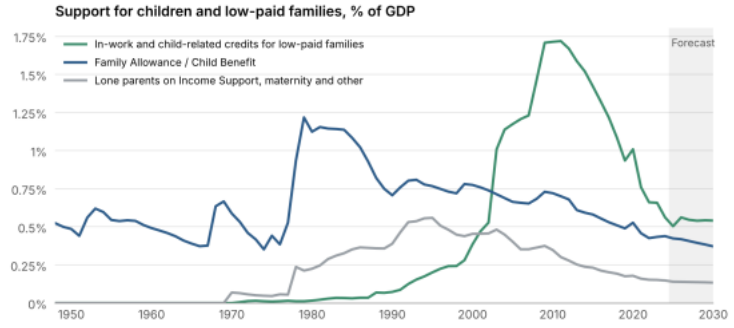
We know why they're rising. We know they have risen post-COVID. We know that young people are one of the major areas of concern here. We know that young people are alienated from the workplace. We know that they are suffering increased levels of diagnoses of autism, ADHD, and other conditions, which indicate that they are actually not able to work. And the fact is: this is not their fault. It's a measure of the changing

workplace.

The workplace used to be able to accommodate these people. Now, the jobs that they used to do are not available, and therefore they need support. Don’t blame young people. We had an economy that used to support people basically from the age of 16 onwards by providing suitable jobs for everyone. Now you have to be a round peg in a round hole, or else you don’t get a job. If you’re a square peg and the hole is still round, you are unemployed. You need support. The problem is not with young people. The problem is with the economy.

But we are paying more as a consequence. But in proportion to the historic record, there is nothing odd about what is going on here, and that is the point I’m making.

This final chart just makes clear how poor the level of support now is for children and low-paid families.



The forecast shows that trends are downwards. There is nothing to be squeezed out of that sector of the economy anymore.

They are already in poverty. I’ve made videos explaining that. Around 40% of people in the UK are, in my opinion, in some form of poverty. 20% are recognised as such. That’s 14 million people and 4 million children. There is no further squeezing that can be done here. Those who are demanding cuts can’t look to this sector to find them.

So if we go back to the first chart, which shows social security spending by purpose, what we can see is that those who are demanding cuts can’t demand it from children. They can’t demand it from those who require unemployment benefits because they don’t basically get any anymore, unlike times gone past, and we can’t demand cuts on low-income support because it’s negligible.

There are only two cuts which these people could be demanding. One is to pensions, and I don’t think they’re going to do that because they have self-interest in this area. So they are demanding that people with disabilities and people who are sick and people who require care support have their services cut.

What we are seeing then is an organised attack on people who need help in our society. This is the ultimate neoliberal agenda. “You must get on with it yourself. You are responsible for your well-being. We are not responsible. If you have disability, that’s your fault,” is the message that is being sent by all these commentators, by all these politicians, and no, it is not.

If you can sense that I’m angry about this, it’s because I am angry about this. I’m very angry about this, because I hate the idea that we’re going to prejudice people through no fault of their own. We’re going to force them into poverty and despair, and that is the reality of what these people are demanding. I do not believe that is appropriate. I do not believe the data supports any form of justification for cutting Social Security.

The fact is, and let’s go right back to that first chart. The fact is that these people are simply terrified by big numbers. What they don’t understand is that if we live in an economy where we have had inflation and where, as a consequence, the value of the pound has fallen, and we continue to have inflation, and as a matter of government policy, we are going to continue to have inflation, that chart, this one of rising costs, is going to be the fact that we’re going to evidence when we get the data after the event.

But it doesn’t mean, if we go to the other charts looking at spending as a proportion of total GDP, or government spending, that we’re actually spending any more in real terms on social security.

So what we are seeing is something that has a name: it’s scapegoating. Those who want to keep more of the cake for themselves are scapegoating those who are on benefits, those who get pensions and who depend upon them, and those who have disabilities, sickness, and are in need of care. And they are most definitely scapegoating them and saying, “Their claims are false.”

They’re not. They’re justified. They’re real. The process of getting them is extremely onerous. It’s tough to get hold of a Personal Incapacity Payment, for example. And the fact is we should not be subjecting people to this amount of pressure to be able to sustain the lifestyle that is essential if they are to take part in our society.

I am horrified by the behaviour of the commentators and the politicians who demand these cuts. They do not understand the reality of life in the UK. I hope I do.

And if I am correctly understanding life in the UK, I’m correct in saying they are wrong. We need to support people in our society. The only problems we have in our social-security system at present are twofold.

One, we don’t pay enough to provide people with the dignity they deserve when they are in need or in old age, or when they have children whom they need to support.

And two, we have a problem with commentators who are either ignorant or callous, and

there is no other description of them.

That’s what I think. What do you think? There’s a poll down below.

Poll

[poll id="576"]