

Inequality and the Geography of Welfare Spending in Britain

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Summary

- This paper examines the structure of state welfare spending in Britain. It argues that the geography of state welfare expenditure and its impacts have been relatively neglected given their importance in terms of regional distribution and spatial equality. It shows that welfare spending is a key component of government spending and that it has a distinct regional and local geography and that there are distinct differences in the geographical incidence of different welfare benefits.

Geography of Welfare Spending

- The last 20 years have seen growing interest in spatial divisions of production, spatial divisions of labour and, more recently, in spatial divisions of consumption. But, despite a large literature on the growth, differential structure of welfare states and welfare spending, there has been relatively little attention given to geography of welfare spending, particularly at the regional, and sub-national level. This is surprising given its financial importance.

- Although there has been considerable attention directed to the regional implications of certain types of government spending on regional policy and defence and questions of regional equity in government spending and taxation, the geography of welfare expenditure has been relatively little discussed. This is surprising because government social spending is very important in influencing both the scale and quality of provision of forms of collective consumption such as education and health, and some benefits such as income support are an important component of household income.

- As Hansen and Jensen-Butler (1996) note: ‘the welfare state involves income redistribution between different social groups (and) this income redistribution has an important spatial dimension, both regional and local’. Thus government welfare spending can be seen as a form of indirect regional policy which serves to reduce regional inequalities in employment and incomes.

Spatial divisions of welfare

- This paper attempts to shed light on some aspects of the geography of state welfare spending in Britain, drawing on the concept of ‘spatial divisions of welfare’. Mohan (1999) limited this to public-private mix but the concept can be said to include geographical differences in the structure and importance of private and public welfare provision, as well as geographical variations in the type, extent and cost of provision, rates of take-up of various types of benefit and their incidence.

The spatial redistributive role of government welfare spending.

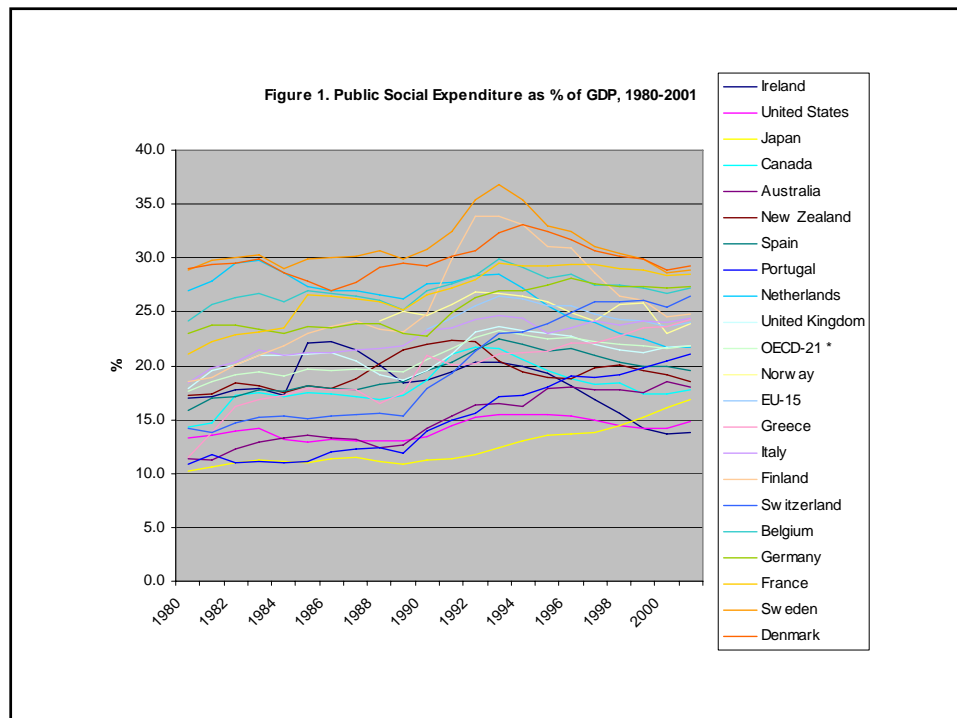
- Newton (1980. p105) comments that: 'central government grants are an essential part of the redistributive systems of the modern welfare state. As such, one of their main functions is to achieve a degree of territorial justice within the country'. Powell and Boyne (2001) note that: 'Geographical location should make no difference to contributions or benefit individuals in identical need should receive same amount of benefits regardless of location. The aim of a truly national service would be to make geography irrelevant'.

The geographies of different types of benefits

- Although some benefits are more or less equally geographically distributed:eg retirement and child benefit, other benefits such as unemployment, disability, and income support are likely to vary much more given the larger spatial differences in the incidence of disability, unemployment and incomes and the consequent need for support. Changes in benefit provision, level and eligibility are therefore likely to have distinct spatial consequences.

National variations in welfare spending as % of GDP

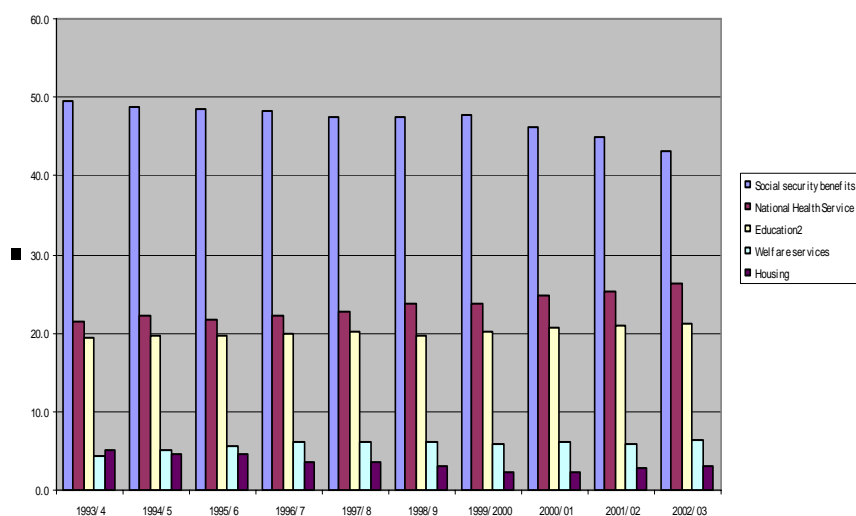
- the cost of social security and various welfare benefits comprise a major component of government expenditure in most developed western countries. The data in **figure 1** are based on OECD figures and include spending on old age pensions, health, incapacity and family benefits, unemployment and labour market participation and housing but not education. social spending as a proportion of GDP increased substantially from the 1960s as welfare provision expanded, reaching a peak in the depths of the early 1990s recession.



Government expenditure on social services in Britain

- Looking at government expenditure in Britain on social services (including social security benefits, the NHS, education, welfare services) and housing at current prices rose from £173 bn in 1993/4 to £252 bn in 2002/3 though it fell from 26% to 22% of GNP reflecting the Labour government pledge to contain government expenditure in the years from 1997 onwards. There was a decline in the share of social security spending as a result of the falling level of unemployment and rising incomes. Spending on the NHS and education as a % of the total rose over this period, however. (figure 2).

Figure 2. UK Government expenditure on social services and housing, by % of total, 1993/4-2002/3



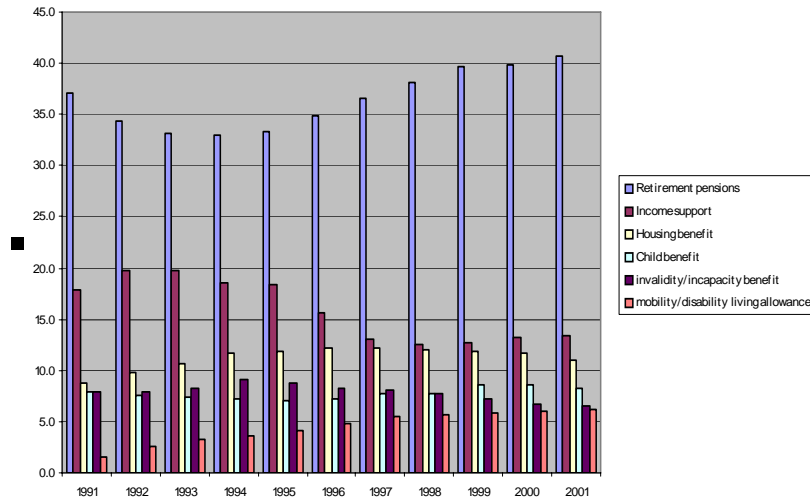
UK Social Security benefit expenditure, 1991/2-2001/2

- Focusing specifically on social security benefit, total government benefit expenditure measured in current prices rose from £69 bn (11.6% of GDP) in 1991/2 to £106 bn (10.6% of GDP) in 2001/2. This includes a wide variety of benefits, ranging from retirement pension, unemployment benefit, sickness and invalidity benefit, maternity benefits to a range of non-contributory benefits such as family, child, and one parent benefit, various disability and mobility allowances, income support and housing benefit.

The Changing % share of benefits

- The cost of these benefits (and their share of total expenditure) has varied over time, with by far the largest share being that of retirement pensions, which has grown from £25.7 bn in 1991/2 (37% of total benefit expenditure) to £43 bn (41%) in 2001/2. This is a result of the growth of the retired population and an increase in pension levels. The second largest component is income support, which fell from a peak of £17 bn (20%) in 1993/4 in the recession of the early 90s to £12 bn (12.6%) in 1998/9 at the peak of the late 1990s economic boom. The third largest is housing benefit. Fig 3

Fig 3. The Changing Shares of Major UK Benefit Expenditures, 1991/2 - 2001/2



The redistributive role of the welfare state: benefit incidence

- It is indicative of the extensive redistributive role of the welfare state that no fewer than 69% of households in Britain were in receipt of welfare benefits of some kind in 2001/2.
- * 29% of households were in receipt of a retirement pension and 28% receive child benefit. A further 17% were in receipt of family credit or income support, 15% of housing benefit, 20% of council tax benefit and 15% of incapacity or disability benefit.

Regional variations in incidence of different benefits (1)

- There are, however, marked regional variations in the distribution of benefits. Overall, the proportion of households receiving one or more benefits varied from a low of 61% in London to highs of 72% in Yorkshire and Humberside, 74% in the North East and 75% in Wales. Some benefits are equally distributed. The proportion of households in receipt of retirement pensions is broadly similar over the regions at around 28-33%. Similarly, the distribution of child benefit varies from 27-30% (figure 4). This reflects population structures.

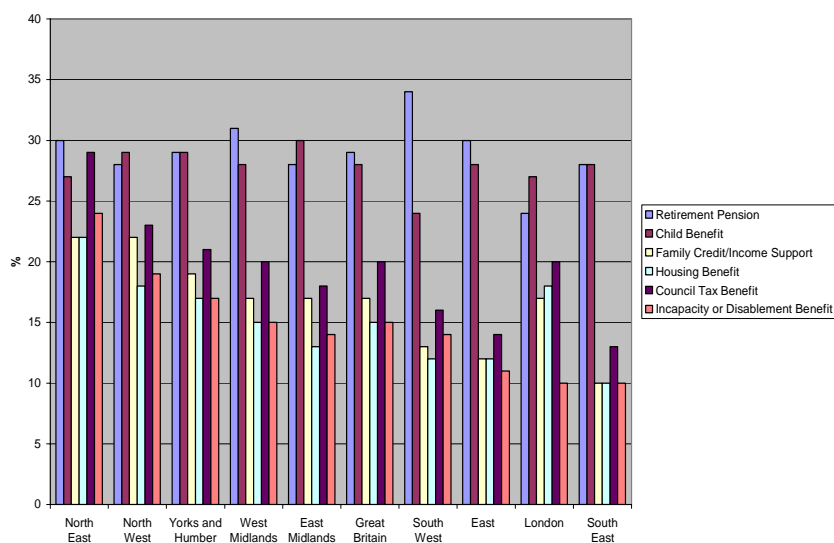
The geography of incapacity or disability benefits

- the geography of households receiving incapacity or disability benefit is very different and is very concentrated in the older industrial regions. The proportion varies from lows of 10-11% in London, the South East and East, to highs of 20% in Scotland, 24% in the North East and 26% in Wales. These figures of one household in four on incapacity or disability benefit are remarkably high and are indicative of large scale withdrawal from the labour market.

Family credit, income support and council tax benefit

- This pattern is paralleled by the distribution of family credit or income support, both forms of support for low income households. The incidence of these benefits ranges from 10% of households in the South East and 12% in the East and the South West, to highs of 22% in the North East and the North West. The proportion of households in receipt of Council Tax benefit, another form of indirect support for low income households, also ranges from lows of 13-14% in the East and South West to a peak of 29% in the North East.

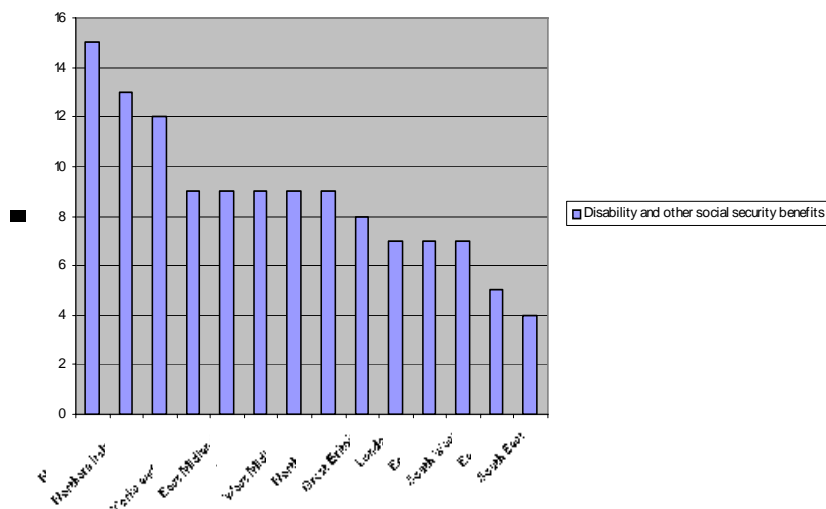
Figure 2. % of Households in Receipt of Different Benefits, by region, 2001/2



Benefits as a % of total weekly household income in the UK

- It is clear from these figures that there are large scale income transfers to the older industrial areas. Not surprisingly, there are large variations in the proportion of total weekly household income received from benefits. For the UK as a whole, just 8% of incomes come from social security and disability benefits and a further 8% from state retirement pensions. But the former figure varies from 15% in the North East to 5% in the East region and just 4% in the South East (figure 5).

Figure 6. Disability and other social security benefits as % of total weekly household income by region



Variation at local authority level

- Geographical variations in the incidence of social security benefits at local authority level are, predictably, even more marked than at the regional level ranging from 4% of households in the most affluent and least disadvantaged local authorities to 30% in the least affluent with a national average of 14%. There is a distinct north-south divide with most local authorities in the top quartile located in Scotland, Wales or north England (with exception of some deprived inner London boroughs). Most Las in bottom quartile are in the South East. Fig 6

The % of households in receipt of social security benefits, by LA

- | | |
|--------------------------|--------------------------|
| • Top 30 local authority | • Bottom 30 LA's |
| 1. Blaenau Gwent 29.6 | • 1. Hart 3.9 |
| 2. Merthyr Tydfil 29.6 | • 2. Wokingham 4.0 |
| 3. Knowsley 29.5 | • 3. Isles of Scilly 4.5 |
| 4. Liverpool 29 | • 4. Winchester 5.0 |
| 5. Easington 28.9 | • 5. Mid Sussex 5.3 |
| 6. Glasgow 28.8 | • 6. Surrey Heath 5.3 |
| 7. Manchester 27.7 | • 7. South Bucks 5.4 |

The geography of housing benefit

- There is one welfare benefit which does not fit this pattern of concentration in northern ex-industrial or mining areas. housing benefit is very highly concentrated in inner london, by virtue of the high rents and high levels of housing need found there. This is a reverse benefit benefiting the low income groups in wealthy areas.

Conclusions

- Given the major financial importance and significance to recipients, there has been little research on the geography of welfare benefits. But as has been shown, there are marked regional and local variations in the incidence of benefits and their importance. This is of major importance of notions of social justice and inequality.