Social Policies and Distributional Outcomes

in a Changing Britain

Public and private welfare activity in England, 1979-2019

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Social Policies and Distributional Outcomes research programme

The central objective of the SPDO research programme is to provide an authoritative, independent, rigorous and in-depth evidence base on social policies and distributional outcomes in 21st century Britain. The central question to be addressed is: What progress has been made in addressing social inequalities through social policies? The research programme is ambitious and comprehensive in scope, combining in-depth quantitative analysis of trends in social inequalities and social divides with detailed and systematic public expenditure and social policy analysis across ten major social policy areas over the period 2015-2020, together with broader reflection on the changing nature of social policies and distributional outcomes over the 21st century.

The programme of research adds to (and reflects on) the previous Social Policies in a Cold Climate (SPCC) research programme covering the period 1997-2015. The SPDO programme updates, extends and broadens our analysis of public expenditure, social policies and distributional outcomes using the most recent datasets available, resulting in a unique evidence base on trends in social inequalities and social policies going back to 1997. Innovative extensions included within the SPDO research programme include: coverage of additional areas of social policy (e.g. physical safety/security and complex needs/homelessness); emphasis on the new context for social policy making (e.g. devolution and BREXIT); assessment of a broader range of multidimensional outcomes within our quantitative analysis; and the inclusion of additional breakdowns (e.g. migration status). This programme also has a forward-looking component, identifying the key challenges for social policy in the 2020s.

More information and other publications in the series are available at the project webpage: http://sticerd.lse.ac.uk/case/_new/research/spdo/default.asp

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1. Introduction

This paper offers an empirical account of the changing landscape of private and public welfare activity in England over the forty years prior to the Covid-19 pandemic. From the election of Margaret Thatcher in 1979 to Boris Johnson in 2019, the period was bookended by Conservative governments with thirteen years under New Labour and five years of Coalition government in between. The variation in governmental ideologies, aims and policies with regards to the welfare state, and the balance between public and private actors within it, has been significant over this period. Glennerster (2020) characterises the first part of the period as dominated by neo-liberal thinking, in particular a reluctance to intervene in the market or to restrain growing inequalities, and an attempt to reduce or circumvent the power of public sector providers. From 1997 onwards, New Labour endeavoured to resurrect a socially progressive and active state in the post-Thatcher era, but combined this approach with the principles of a mixed economy, quasi-markets, and fiscal discipline. The financial crisis in 2008 and subsequent election of the Coalition government in 2010 heralded a period of public spending cuts, concentrated on social security and local authority services. Meanwhile in health and education public spending did not keep pace with increasing needs. Despite a change in rhetoric and the shift to a Conservative majority government under Theresa May and then Boris Johnson, these cuts and caps on spending were still playing out on the eve of the pandemic (Vizard and Hills, 2021). Moreover, austerity was accompanied by major reforms in health, education and the benefit system, shifting the boundaries between public and private providers and individuals' responsibilities once again.

Our empirical analysis 'stops the clock' in 2019 but of course the pandemic that unfolded thereafter produced a major upheaval in the boundaries of public and private welfare-related activity, and much else besides. The scale of the state response was unprecedented, with, for example, new hospitals built in a matter of weeks. Public health departments that had been eviscerated by spending cuts were suddenly told to spend whatever they needed. Public-private partnerships were created overnight in vaccine development and production. Huge contracts for Personal Protective Equipment (PPE) were awarded by the state to the private sector – for better or worse. And three-quarters of a million people came forward to act as volunteer responders to support the NHS within a week of the scheme being launched (NCVO, 2020).

We do not incorporate this period in our analysis partly because of the lag in data becoming available, but also because what legacy the Covid response and recovery will leave on the architecture of the welfare state remains to be seen (Burchardt, 2020). Indeed two and a half years on, being in a state of national crisis seems to have become the new normal – a continuing pandemic, war in Europe, and an eye-watering speed of increase in the cost of living.

Looking back, then, over the 40-year period between 1979 and 2019, we can see divergent perspectives and policies, but we argue in this paper that policy changes have in practice produced a consistent direction of travel in addressing the welfare needs of the population, away from a "pure public" collective model of financing, providing and decision-making, towards individualised responsibility and private provision. Although high-profile reforms have often produced underwhelming changes in actual shares of expenditure between different kinds of welfare activity, incremental changes over this extended period have de facto redesigned the architecture of the welfare settlement. This analysis resonates with McEnhill and Taylor-Gooby's (2017) account of continuity and change in the British welfare state, which emphasises the importance of examining both shifts in expenditure and changes in policy instruments. It is also consistent with Greve's (2020) broader European perspective from 2000 onwards, based on Eurostat social expenditure data, on the basis of which he argues that the phenomenon of austerity has been selective rather than universal and that, 'Despite the rhetoric, it seems that welfare states are here to stay' (p.160).

In a continuation of work originated by John Hills and colleagues in Burchardt (1997) and followed by Smithies (2005), Edmiston (2011), Hills (2011) and Burchardt and Obolenskaya (2016), we draw on public expenditure and consumer spending data from a wide range of published sources to offer an account of the shifting boundaries of welfare between 1979-80 and 2018-19. We define welfare broadly as the set of goods and services that contribute to individual and social wellbeing through education (pre-school to higher education), health care, adult and children's social care, housing, income maintenance and social security (including pensions) and – for the first time in 2018-19 - personal physical security (policing, criminal justice, private security, etc). Although the earliest iterations of public/private expenditure analysis were for the UK, our analysis, like Burchardt and Obolenskaya (2016), focuses on England, due to the substantial divergence in policies and data sources between the four nations of the UK since 1998.

The paper makes two main contributions. The first is to provide updated estimates of the distribution of total spending across different areas of welfare activity in England, using a consistent classification of public and private finance, provision and control over decision-making. The second is to contextualise those estimates within broader accounts of welfare state change, in line with the commentary provided in the final stage of the *Social Policies and Distributional Outcomes in a Changing Britain* research programme described in the Preface above.

The next section describes our methodology in more detail. Section 3 presents the results for each area of the six areas of welfare activity, before discussing the trends in the overall activity and the breakdown of total spending. Section 4 reflects on the findings and considers the implications for the changing welfare settlement.

2. Methodology

People have needs. 'Welfare' can be understood as the activity of trying to meet those needs, whether that is through individual action, through care within families, or through various collective or market means. There are numerous ways in which this large sphere of activity can be classified; in this paper we use three dimensions – provision, finance, and decision – and, for the most part, a binary distinction within each dimension between public and non-public (or 'private') activity. The common metric we use to gauge the scale and distribution of activity is current expenditure, but it is the activity that this expenditure produces that we are interested in.

Provision: this dimension is about whether or not the entity that undertakes the activity (in most cases, a service-provider) is a public sector organisation. We use the ONS (2019) public sector classification guide which is itself based on the European System of Accounts 1995 (ESA95). That includes, for example, public corporations and hospital trusts as public sector. We label all providers that are not classified as public sector as 'private'; that category therefore includes both businesses run for profit and not-for-profit organisations such as charities.

Finance: this dimension is about whether the activity is financed through compulsory collective means ('public'), or whether the end-payer is the direct consumer or beneficiary of the good or service or a voluntary contributor ('private'). Public finance therefore includes national and local taxation, social insurance contributions and tax expenditures. Tax expenditures are a slippery category: specific tax reliefs are relatively straightforward to quantify but much else that could be counted as tax foregone through intentional policy design is not recorded or reported (Sinfield, 2020). We capture as much as we can. Private finance includes ordinary consumer purchases, insurance premiums and occupational benefits (including employer pension contributions), as well as activity financed by charitable donations, in so far as we can identify it. We aim to exclude capital expenditure (including debt, loans and repayments that finance capital expenditure), but where it is not possible to separate current and capital expenditure in the sources on which we draw, capital expenditure is included.[1] Appendices 2 and 3 give further detail.

[1] An analysis of trends in public and private **capital** expenditure on welfare – including, for example, the Private Finance Initiative - could be potentially revealing, but is the beyond the scope of this exercise.

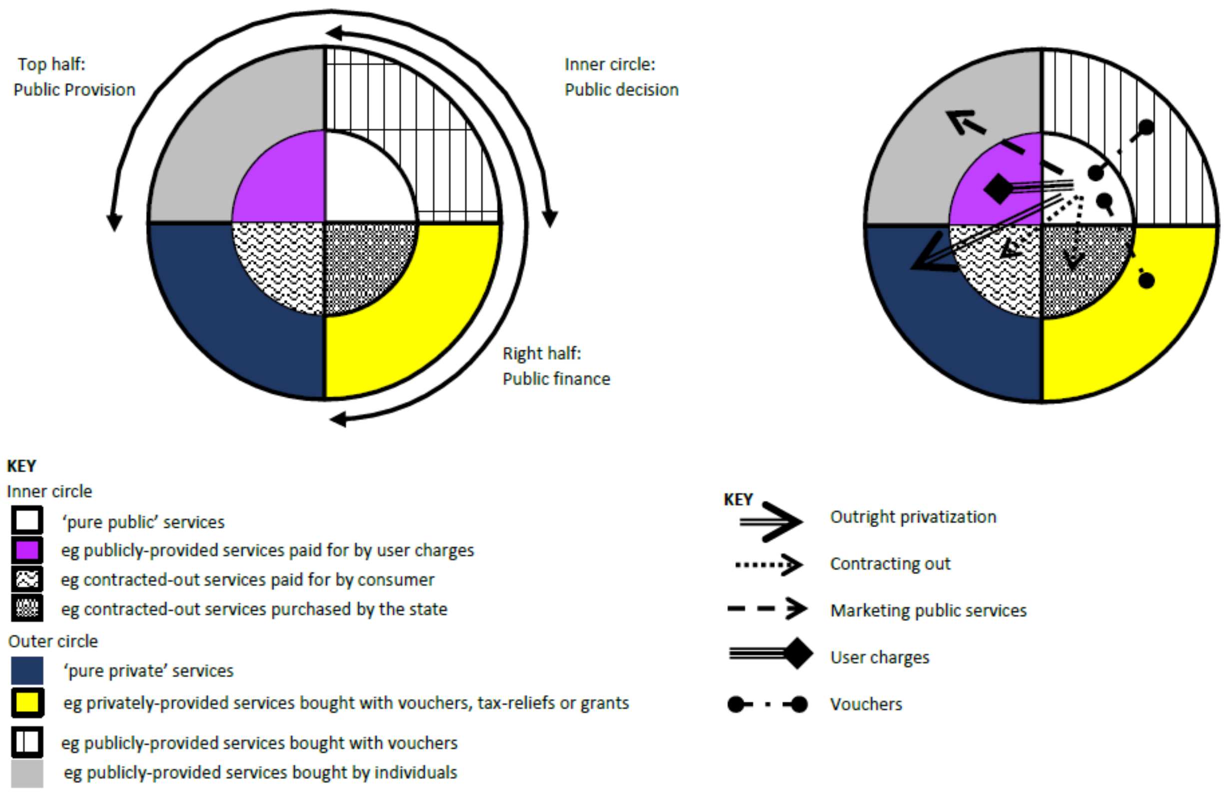
Decision: this dimension is the least intuitive of the three. It aims to capture the extent to which the end user has choice and control, perhaps most clearly illustrated by the contrast between social care services commissioned by the local authority and care services arranged by the person with needs (or his/her family) via a direct payment or personal budget. Both are publicly financed, and may be publicly or privately provided; the difference between them lies in the degree of autonomy exercised by the individual. Three tests are applied to assess the classification of an activity on the decision dimension: to what extent the end user can choose *how much* of the service to have, to what extent they can choose *who provides* the service, and to what extent there are *viable alternatives.* Activities subject to more user control are classified as 'private' decision, and activities with limited user control are classified as 'public' decision.

There are alternative approaches for classifying the public and private boundaries of the welfare state. For example, Powell (2007) and Powell and Miller (2014) discuss the Mixed Economy of Welfare model, and the 'Publicness' model, both of which give greater prominence to regulation as a dimension. This is an important issue. In the framework applied in this paper, the degree of regulation of *organisations* is reflected in the classification of providers as public sector or not: in the ESA95, whether the body is controlled by central or local government, or by a public corporation, is a key consideration, where 'control' is defined as determining the organisation's policies through ownership, specific legislation or regulation. The degree of regulation of *services* is on the other hand reflected in the classification of the decision dimension in our framework: a highly regulated activity is less likely to meet the threshold of 'private' decision.

Another important alternative classification is provided by the OECD's SOCX database (Adema and Fron, 2019). SOCX starts from a definition of benefits or programmes serving a social purpose, and further requires that the benefits or programmes involve either inter-personal redistribution, or compulsory participation. Thus, in contrast to our own framework, pure market transactions are out of scope, even if those market transactions are meeting similar kinds of needs to those met in other instances by social spending. For example, purchase of voluntary, unsubsidised, private medical insurance is out of scope for OECD's SOCX but within scope for our own framework. Appendix 1 gives a comparison of the definitions and scope of SOCX and our own framework.

In our framework, putting the three dimensions of provision, finance and decision together generates eight possible combinations, as depicted in the 'wheels of welfare' diagram below. The inner top right segment represents 'traditional' fully public welfare activity, such as an NHS procedure at an NHS hospital. Moving out from this segment in different directions, as shown in the right-hand side of the diagram, implies different forms of 'private' involvement. For example, if the patient is given a meaningful choice of whether to have the procedure at an NHS hospital or with a private provider, it might be classified as 'private' decision and move into the outer ring. Or if the procedure is subject to a user charge, it would move into the left-hand side of the inner ring. If the NHS has contracted-out the procedure to a private provider, it moves to the bottom half of the figure (inner ring). Outright privatisation – for example, where the procedure is no longer available on the NHS at all – would be shown by a move to the outer, bottom left segment: the patient must decide whether to pay for the procedure themselves from a private provider.

Figure 1: Wheels of welfare



Source: Burchardt and Obolenskaya (2016)

Using this framework, we report breakdowns for 6 time points: 1979/80, 1995/96, 1999/2000, 2007/08, 2013/14 and 2018/19. The spacing is determined by the dates of previous exercises and is rather uneven, with gaps of 16, 4, 8, 6 and 5 years respectively between observations. For this reason, we provide visualisations of the results in two formats: line graphs, which show the correct spacing of observations to judge the rate of change over time but make it difficult to compare or combine categories, and bar charts, which have the opposite advantage and disadvantage.

The focus of the analysis is on the changing distribution of total spending across categories. However it is sometimes instructive to consider these changing proportions in the context of absolute levels of spending. For example, although the *proportion* of total spending on health that is public finance and public provision has decreased by 15 percentage points since 1979/80, the *level* of spending on this category is nearly four times as great in real terms at the end of the period as it was at the beginning. Table 1 and the associated discussion therefore summarises the levels of spending in real terms across years and categories, to provide this context. These totals are derived from the underlying sector-by-sector analysis, which draws on a wide range of sources in order to identify as much information as possible about public and private finance, provision and decision. The totals in Table 1 therefore should not be expected to coincide exactly with national accounts totals, which in some instances have wider or narrower scope and use different accounting conventions.

As mentioned in the Introduction, we examine the five 'traditional' areas of welfare activity - education (pre-school to higher education), health care, adult and children's social care, housing, and income maintenance and social security (including pensions). Appendix 2 summarises the main kinds of acitivity and expenditure under each policy area and their classification into public and private finance, provision and decision.

For the first time we add personal physical security, for 2018/19 alone, in keeping with the expansion of the SPDO programme of which this research is a part. In terms of public services, this corresponds to the criminal justice system plus the fire and rescue service and the coastguard and maritime agency, and local authority domestic violence support. As with other policy areas considered, we acknowledge that there are fuzzy boundaries – for example, health and safety regulations and enforcement could also be considered part of "physical security" – and the decision about what to include or exclude is determined to some extent by the availability of data. In addition, there is a legitimate debate about whether a service, such as policing or criminal justice, that acts to constrain or indeed punish some people in order to protect others, should properly be considered part of "welfare". A similar argument can be made about children's social services, which on occasion act against parents in order to protect children.

One signficant omission is an estimate of the value of welfare provided by families to their members. This is most obvious in the area of social care (Arksey and Glendinning, 2019), where we know that unpaid care dwarfs other types of care in terms of both hours and economic value – estimated to be 8 billion hours and £57 billion in the UK in 2014 (Webber and Payne, 2016). Families and extended families also provide childcare and education (not only during lockdowns!), healthcare, support with housing and physical security, both within and across households, and family members may also help to smooth one another’s incomes, through sharing living costs, loans and gifts, or the ‘bank of mum and dad’. Because these are largely unrecorded expenditures of time and money, we cannot include them in our estimates of welfare activity, but it is an important context to keep in mind when interpreting our findings. In particular, it means there is a porous boundary between what is in and out of scope, as formal services – for example childcare or adult social care - expand or contract, and expectations of what families will provide change over time.

A smaller omission is that while we aim to capture the contracting out by public authorities to the private and voluntary sector of welfare services themselves, we do not capture all use of the private sector by public authorities for the provision of ‘back room’ functions such as estates and IT. This kind of arrangement is discussed further in Smith and Jones (2015).

There are necessarily some fuzzy boundaries around an exercise of this kind. Moreover the sources on which we draw are highly varied, often incomplete or inconsistent across policy areas or over time, and frequently present expenditures in ways that do not neatly fit the breakdowns we require. The estimates we produce should therefore be treated as broad indications of the changing size and shape of welfare activity rather than as a precise form of accounting.

3. Results

3.1. Education

3.1.1. Classification of providers and of higher education spending

In our analysis of education welfare activity, we aim to capture spending on early years education, school, further and higher education.

In relation to early years education, we aim to capture education and not childcare, although the boundary is of course fuzzy. As far as publicly-funded early years education is concerned, we include 2, 3 and 4 year old entitlements to free hours, in whatever setting those entitlements are taken up. Universal Credit childcare subsidies are included under Income Maintenance (section 3.4 below) and are not included here to avoid double-counting. Tax expenditures on tax-free childcare are unfortunately not captured. As far as privately-funded early years education is concerned, we rely on the Consumer Trends series, which explicitly includes families’ spending on pre-school education and excludes spending on “child care services without an educational programme” (UN Department of Economic and Social Affairs, 2018, p.156). This is all classified as private finance for private provision, because no disaggregation by setting is available, although in fact a small proportion should properly be classified as private finance for public provision, where the payment is made to a state-maintained nursery, for example, for hours over and above the free entitlement.

A couple of notes on classification of school and further education providers are also necessary. Further Education colleges were reclassified from public to private sector institutions by the ONS in 2012, after the Education Act 2011 removed key public sector controls over FE colleges, including the right of the Secretary of State to dissolve them (ONS, 2012).[2] We therefore classify public spending on FE colleges to the public sector for all data points up to and including 2007-08, and to the private sector (alongside universities) for all data points thereafter. This contributes towards the significant drop in public provision and public finance from 2007-08 to 2013-14 in Figure 3.

In contrast, we continue to classify academies as public providers, in line with ONS's classification. This may appear surprising at first sight. Academisation has become a prominent feature of education policy since 2010, with 72 percent of secondary schools being academies as of 2018 (NAO, 2018a), and academies may have a business, university, or charity sponsor. Multi-academy trusts are led by CEOs and the Department of Education has described their members as 'akin to shareholders'. The CEO of the largest academy trust, Julian Drinkall, described its schools as a 'portfolio' of 'amazing individual brands' to serve 'local markets' of education (quoted by Mansell, 2017). Thus, many academies adopt the cosmetics of private institutions and academisation has signficantly expanded the role of private actors within education (Ball, 2013, pp206-211). Nevertheless, academy trusts themselves are not for profit, and they are classified as non-market institutions by the ONS since, unlike independent schools, they are not allowed to undertake any substantial permanent trading activities. The ONS public sector classification allocates them to central government because of the degree of control that the Secretary of State has over them, including the ability to shut them down (personal correspondence with David Beckett from the ONS public-private sector classification team, 3 January 2020).

Another complex area in classification and accounting terms is the funding of higher education. The first distinction relates to what is being funded: on the one hand, students' cost of living ('maintenance'), and on the other, costs of tuition and other aspects of running higher education institutions. The second distinction relates to the type of funding or spending: government grants (to institutions or individuals), government-backed loans, student loan debt write-offs, and out-of-pocket spending and debt repayments by individuals and families. Over time, spending on both maintenance and tuition has increasingly shifted from government grants (public finance) to a combination of

[2] In May 2022, ONS announced that they are reviewing the classification of FE colleges in England again.

government-backed loans (which constitute a mix of public and private finance) and out of pocket spending by individuals and families (private finance). How these different elements are reflected in our analysis is summarised in Box 1 and described in more detail below.

Box 1: How different types of public and private spending on higher education are captured in our analysis

	Maintenance	Tuition
Grants to institutions (public)	n/a	√ (in year)
Grants to individuals (public)	√ (in year)	n/a
Out of pocket spending (private)	x (in year)	√ (in year)
[Tuition fees financed by loans	n/a	√ (in year)]
Student loan debt write-offs (public)	√ (lagged)	√ (lagged)
Student loan repayments (private)	√ (lagged)	√ (lagged)

Key:

√	occurs and is captured in our analysis
x	occurs but is not captured in our analysis
n/a	does not occur

Government grants are relatively easy to account for. McKnight and Obolenskaya (forthcoming) confirm there has been a gradual shift in the source of income from higher education institutions from central government grants (via funding councils) to tuition fees. These grants are captured in our education spending analysis, as are grants to individuals for maintenance. They pertain to the year in which the grant is made (and presumably spent).

Out of pocket spending is also relatively easy to account for, thanks to ONS Consumer Trends analysis. However, whilst the internationally-agreed COICOP classification for consumer spending, applied by ONS, recognises spending on tuition (at any level of education) as education spending, it does not separately identify spending on students' living costs. Hence that component is missing from our analysis. That matters, because as policy has shifted away from maintenance grants, it is reasonable to assume that more of students' costs of living is being paid for out of pocket. We therefore underestimate this aspect of growth in private spending on higher education.

The most complex type of spending is student loans, and there has been controversy about how this is treated in national accounts, resulting in a recent significant revision to accounting practice (McKnight and Obolenskaya, forthcoming). Loans, including interest rates, are governed by central government and administered by the Student Loans Company, a public body. Repayments are conditional on graduates' earnings and any outstanding debt is cancelled after a fixed number of years. (The exact terms have varied over time).

Loans may cover both tuition and maintenance. For the purposes of our analysis, loans themselves are not final spending and hence should not be included in our analysis. However, because of the way that consumer spending is categorised and recorded in the national accounts, all spending on tuition fees – including fees financed by a student loan – are included in the year the fees are paid and cannot be readily disaggregated from other consumer spending on education.[3] We classify this as private spending, and this implies a degree of double-counting in our framework, because we also include subsequent loan repayments and write-offs (see below). In terms of total private spending, this is offset to some extent by the omission of private spending on students' living costs, discussed in the previous paragraph. The level of tuition fees and the value of loans available for living costs are roughly similar at present but there is no reason to believe that this will continue to be the case, nor that actual living costs correspond to the value of loans available.

The final spending that we seek to capture are the private and public contributions to paying off the loans, which occur through student debt repayments over time, and through government write-off of debts. We derive this information from the Student Loans Company accounts. These summary accounts unfortunately do not differentiate between repayments for tuition and maintenance loans.

The time profile of grants and out of pocket spending on the one hand, and debt repayments and write-offs on the other, is very different. Consumption of the goods and services financed through grants and out of pocket spending is more or less immediate, whereas consumption financed through loans occurs well ahead of the eventual repayments and/or write-off. For consistency, we might want to model the present value of future repayments and write-offs associated with loans provided in the current year, using appropriate discount rates, and include this figure in our analysis. However, such an exercise is beset with complexity and uncertainties (for example, it requires assumptions about what proportion of today's students' debts will be repaid, and when, which in turn depends on the state of the labour market and future policy decisions). As it is, we include repayments and write-offs made in the current year, which pertain to consumption of education services many years, potentially decades, previously.

This asymmetry between the time profile of grants and loans has implications for the time series of public and private spending on higher education, because as the policy emphasis has shifted from grants to loans, private spending for current consumption has increased but been shunted into the future (via debt repayments) and the degree of public spending for current consumption has

[3] Confirmed in personal correspondence with Consumer Trends statisticians, 17 May 2022. The relevant series is in Consumer Trends worksheet 10KN, which corresponds to COICOP 10 and CDID identifier ADMJ.

become uncertain and shifted even further into the future (via eventual write-offs). The implications in relation to public spending are discussed further in McKnight and Obolenskaya (forthcoming). The snapshot that we capture should by no means be read as a 'steady state' representation of the balance between public and private spending for higher education.

3.1.2. Commentary on education provision, finance and decision

Based on the classifications described above, and notwithstanding the continuing classification of academies as public providers, there have been significant long-run shifts from public to private activity within education, across provision, finance and decision (see Figure 2). This trend was partially reversed between our time points of 1999-00 to 2007-08, when public shares of total spending on state education increased under the Labour government, but since the 2007-08 observation it has declined at an even faster rate than before (see Figure 3).

The major contributors to public finance and public provision are state primary and secondary schooling; public finance and private provision is mainly for HE and, from 2012, FE, as well as some pre-schooling; private finance and public provision is very small but growing and comprises parents' contributions to schools; while the significant private finance and private provision category covers all ages and stages of education.

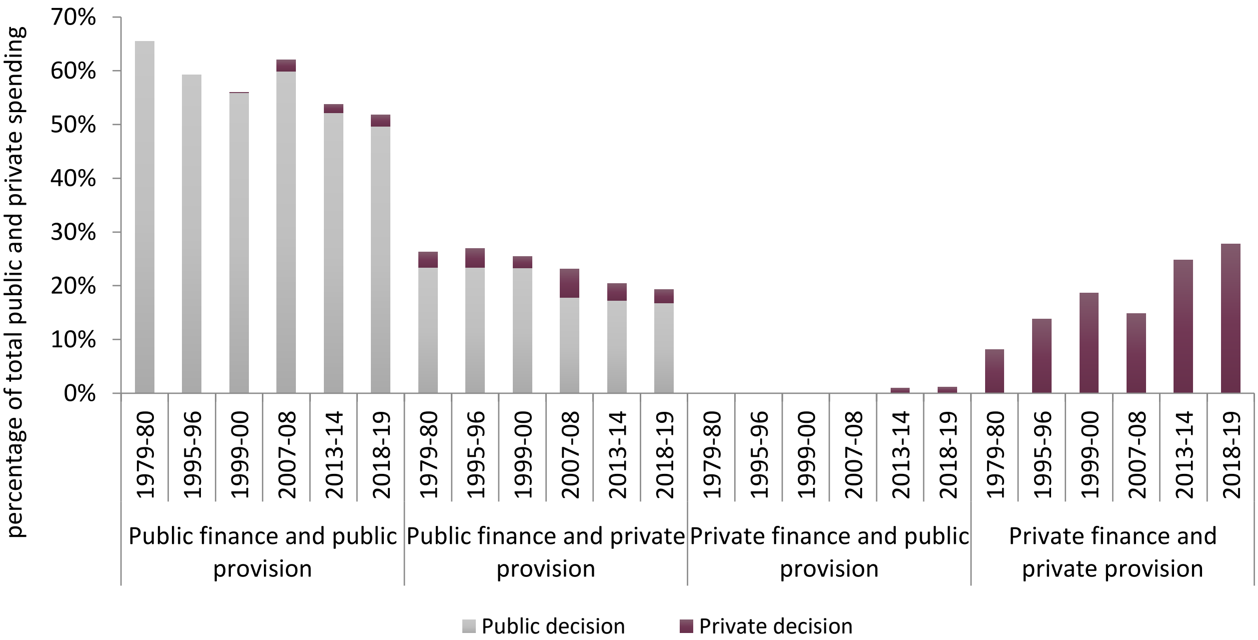
Overall, while public spending has declined as a proportion of the total, pure private spending has increased rapidly. Pure private spending as a proportion of total spending has increased by 20 percentage points from 1979-80 to 2018-19, with much of this increase occurring since 2007-08. Given the relative stability of the proportion of children educated at private schools, explanations of increased private spending on compulsory-age education include the rise in private school fees and the boom in private tutoring to 'top up' state education. A 2017 survey by the Sutton Trust found that 30 percent of young people aged 11-16 – predominantly from higher income families - reported ever having received private or home tuition, a significant increase from 2005 (18 percent) (Jerrim, 2017). This trend may have been given further impetus following the pandemic, including via the government's publicly-funded privately-provided catch-up tutoring scheme (House of Commons Education Committee, 2022).

Another possible, more minor, contributor to the growth in 'pure private' spending is that many early years providers have experienced financial difficulties during the rollout of government-funded 'free' hours (particularly the 30 hours policy, described in more detail below). The Early Years Alliance (2018) suggest providers are filling this funding gap by increasing fees for non-funded hours and prices for lunches and nappies.

Finally, although as noted in the previous sub-section the full consequences of the shift from grant to loan funding for higher education has yet to percolate through to these figures, tuition fees and the gradual maturing of the student loans system, with a corresponding increase in annual repayments made by students, also contributes to the 'pure private' spending in 2013/14 and 2018/19. In subsequent years, public finance for private provision is also expected to increase as a greater total value of student loans will be written off and cancelled, so we might expect some rebalancing between public and private spending figures in future.

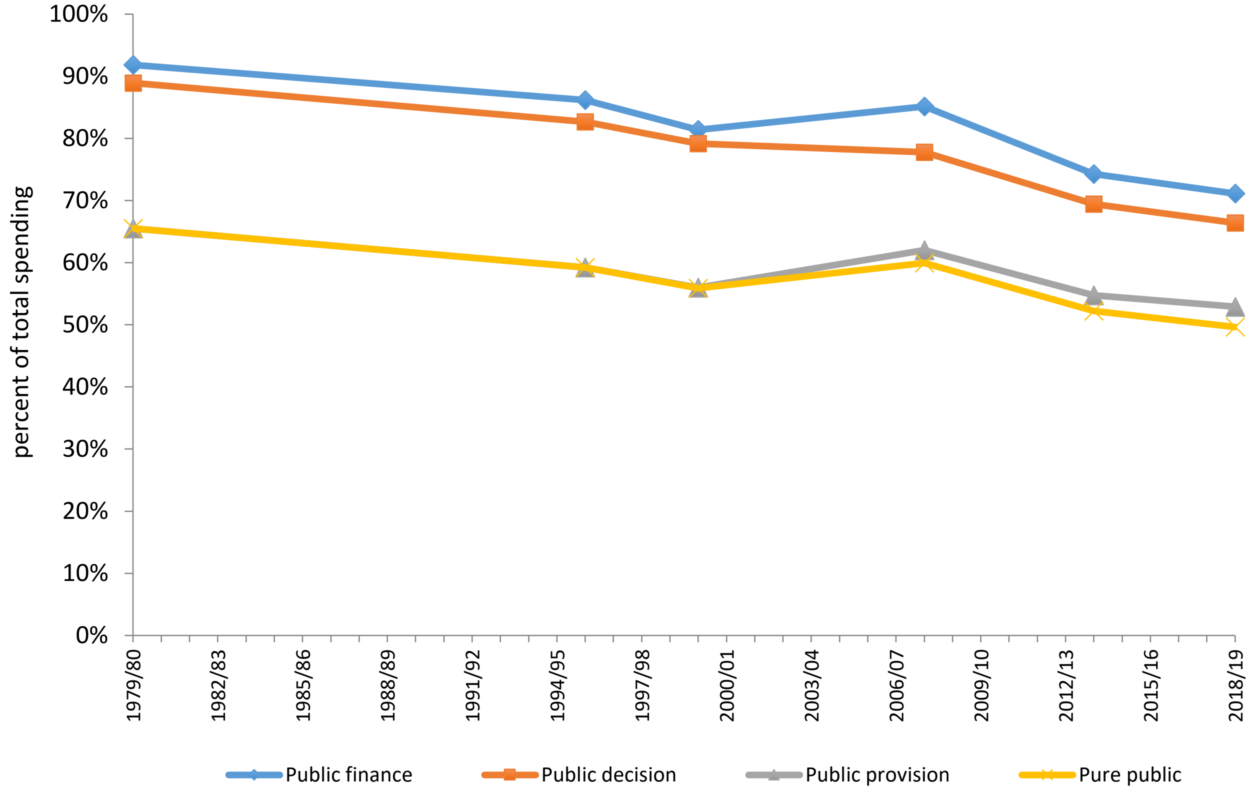
The decline in the role of public *decision* within public education since 1979 is mostly driven by the expansion of public spending on early years education, the vast majority of which is administered through the free entitlement (as of 2019, 15 hours for all three- and four-year-olds and 30 hours for those in working families; and 15 hours for disadvantaged 2-year-olds) (Stewart and Reader, 2020). These free hours can be spent at any childcare provider, and as such all funded early years education is subject to private decision, with the choice between providers creating marketized competition between providers. Academies' self-generated income and growth in voluntary donations by parents to schools also contribute towards an expansion in private decision. According to survey data from Parentkind, 29 percent of state school parents made a donation to their child's school in 2019, and parents of children on free school meals were more likely to be asked to do so (Parentkind, 2019). There is a blurred boundary between donations and less voluntary contributions, for example for school trips and paying for after-school clubs or extended day provision; the figure we include is almost certainly an under-estimate of the amount parents are in fact paying for state education.

Figure 2: Proportion of total public and private spending on education by category in England, 1979 to 2019



Notes: Observations are not evenly spaced over time (x axis), so care should be taken in comparing rates of change between periods.

Figure 3: Public shares of total education spending in England, 1979 to 2019



3.2. Health

While education has seen changes across the three dimensions of finance, provision and decision, health has demonstrated remarkable stability in terms of both finance and decision, accompanied by a limited and gradual drift towards private provision.

Health activity is dominated by publicly financed public provision in the form of core hospital and community services. Despite the introduction (and subsequent partial dismantling) of a quasi-market, NHS Trusts remain classified as public sector organisations. However, the majority of dentists and General Practitioners are (and always have been) self-employed, and provide services to the NHS under contract. Expenditure on these services, together with pharmaceuticals, therefore appears under public finance, private provision. Also in this category are services for NHS patients provided by independent hospitals, a form of activity which has grown substantially in real terms, although it remains small as a proportion of total activity. Private finance for public provision is a small category in health, limited to pay beds and NHS hospital charges. (Note that the Private Finance Initiative does not feature in these accounts, because it largely funded capital rather than current expenditure). Finally, the private finance for private provision category comprises private medical insurance premiums (whether paid by employers on behalf of employees or by individuals), out of pocket spending on private hospital services, and other consumer spending on medicines, health products and services.

On finance, healthcare in England continues to be funded publicly, predominantly (see Figure 5), and public spending on health has increased substantially in real terms since 1979 (Table 1). However, growth was at an historical low leading up to our final time point of 2018/19. Under the Conservative (from 2014/15) and Coalition (from 2009/10) administrations, average annual growth in UK public expenditure on health was 1.3 percent and 1.6 percent respectively, compared to 6.0 percent under Labour and 3.1 percent under the Thatcher and Major governments (Vizard et al., forthcoming, Table 1). These pre-pandemic rates of growth were below indicators of demographic trends and rising demand.

Meanwhile, although private spending on healthcare increased as a proportion of total spending in the 1980s and early 1990s, it did not continue to increase its share thereafter – confounding industry expectations. An estimated 1 in 20 households (in the UK) had private medical insurance (PMI) in 2018, fewer than in 2013 (Mordor Intelligence, 2022), and mostly provided via employers. However out of pocket spending on medicines and services did increase in real terms over this period. Overall private spending grew from £3.8bn in 1979/80 to £10.2bn in 1995/96, and then more slowly to £26.1bn in 2018/19 (see Table 1). Industry commentators expect both PMI and out of pocket health spending to increase again in the 2020s (Mordor Intelligence, 2022).

On the decision dimension, the reforms emphasising patient choice within the NHS have resulted in patients sometimes being offered a choice of more than one location for their treatment to take place, but we do not judge that that passes our three tests for classifying a decision as private, namely, whether the end user can decide how much of a service to use, can choose a provider, and has a choice between viable alternatives. Hence the majority of public provision is also classified here as public decision. Private decision over public provision has remained marginal (eg private patients in NHS hospitals), as has private decision over publicly-financed private provision (eg glasses vouchers).

Public decision over spending made by individuals (private finance) occurs in the form of charges for NHS dentistry and prescriptions (which has grown in absolute terms over the period, but fallen as a percentage of total spending), and in charges for NHS hospital services, including for car parking, telephone and TV, as well as charges for overseas visitors and the immigration health surcharge (introduced in 2015). Although small in aggregate and percentage terms, the impact of these costs on individuals can of course be significant, and for different reasons both car parking and charges for migrants have been controversial.

The most notable changes to the distribution of total health spending have occurred in relation to the provision dimension. Specifically, private provision that is publicly financed has increased by 8 percentage points as a share of total health spending between 1979/80 and 2013/14, before falling back slightly. This category includes treatment provided to patients on behalf of the NHS by independent and voluntary sector organisations, which expanded considerably in the first part of the 2000s. It also includes GP services and dentistry, pharmaceutical services and out-sourced ancillary services within hospitals such as cleaning, laundry and catering.[4] The competitive tendering of health services was legally enshrined in the Health and Social Care Act 2012, although the practice of contracting-out both non-clinical and some clinical services pre-dated the Act by several years. The proportion of total health spending that is publicly provided (and financed) declined between 1979/80 and 1995/96, and again between 2007/08 and 2013/14, while that of private provision (publicly financed) increased gradually before increasingly substantially between 2007/08 and 2013/14 (see Figure 4) – although never reaching more than one-quarter of total activity.

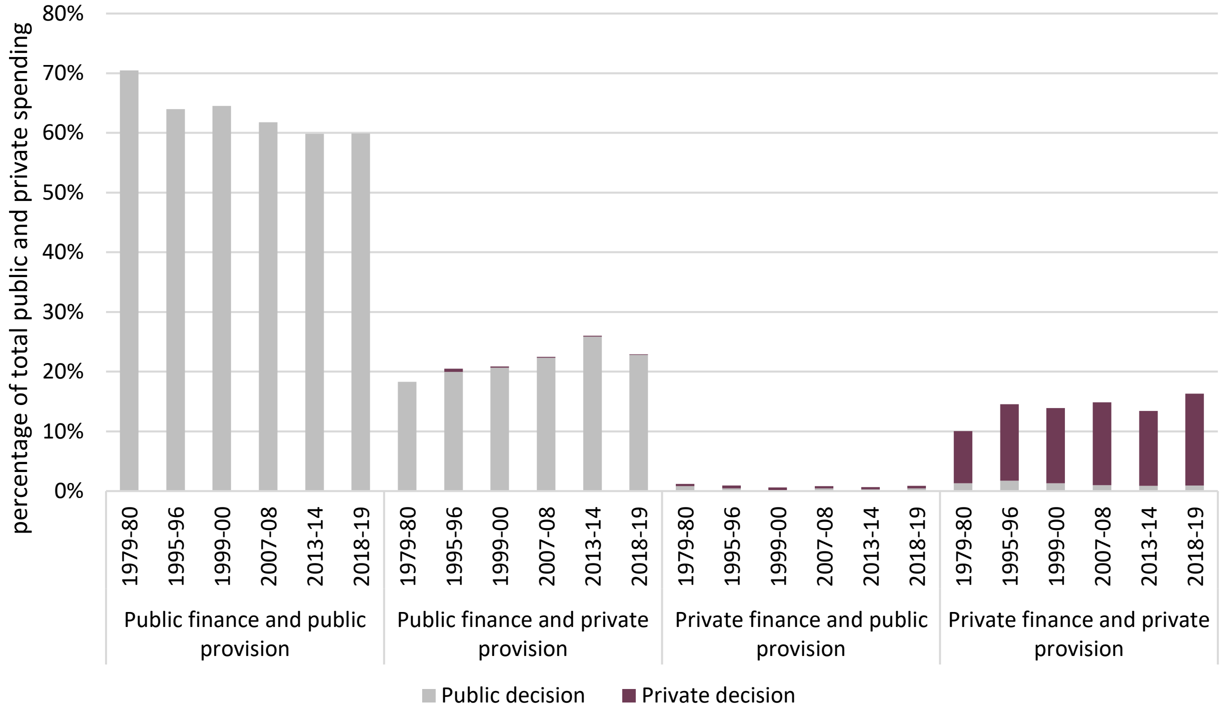
Interestingly and unexpectedly, given the direction of travel signalled by the Health and Social Care Act 2012, we find that in the most recent period from 2013-14 to 2018-19, these long-term trends appear to have slowed. The long-run shift from publicly-provided to privately-provided but still publicly-financed healthcare was compensated slightly from 2013-14 to 2018-19: spending on publicly-financed public provision (including hospital and community services, equipment and drugs) increased in real-terms, while spending in several areas of publicly-financed private provision (including general dental services, prescribing costs, pharmaceutical services, and contracted-out care) were held constant or decreased in real terms.

Overall, the long-term trend for health shows that while the *level* of 'pure public' (public finance, public provision and public decision) health spending has increased nearly four-fold in real terms since 1979 (Table 1), the *share* of total health expenditure that is pure public has reduced by 10 percentage points

[4] We estimate spending on ancillary services (cleaning, laundry and catering) using spending estimate from the Department of Health and Social Care's Annual Report (p. 162) for 'Supplies & services (general)', which covers "cleaning materials and contracts, food and contract catering, uniforms and laundry" (correspondence with the DHSC, December 2019). Since we know that a significant proportion of these ancillary services are outsourced, we split this figure by the public-private split implied by Elkomy et al. (2019)'s figure for the proportion of NHS trusts that outsource their cleaning services as of 2013/14, allocating 37% of all supplies and services to the private sector and 63% to the public sector. Unfortunately, data on the split within cleaning for 2018-19 not publicly available, nor is data on the split for catering and laundry beyond 1986 (National Association of Health Authorities, 1987). Our estimate therefore makes two assumptions which are unlikely in reality to be wholly accurate: that the proportion and the trend in privatisation within cleaning services is representative of ancillary services more broadly; and also that the proportion of NHS trusts that use outsourcing is a comparable basis for calculating the proportion of expenditure on outsourcing. Nevertheless, given the available data it is our best attempt at reaching an estimate for spending in this important area and allocating it between public and private provision.

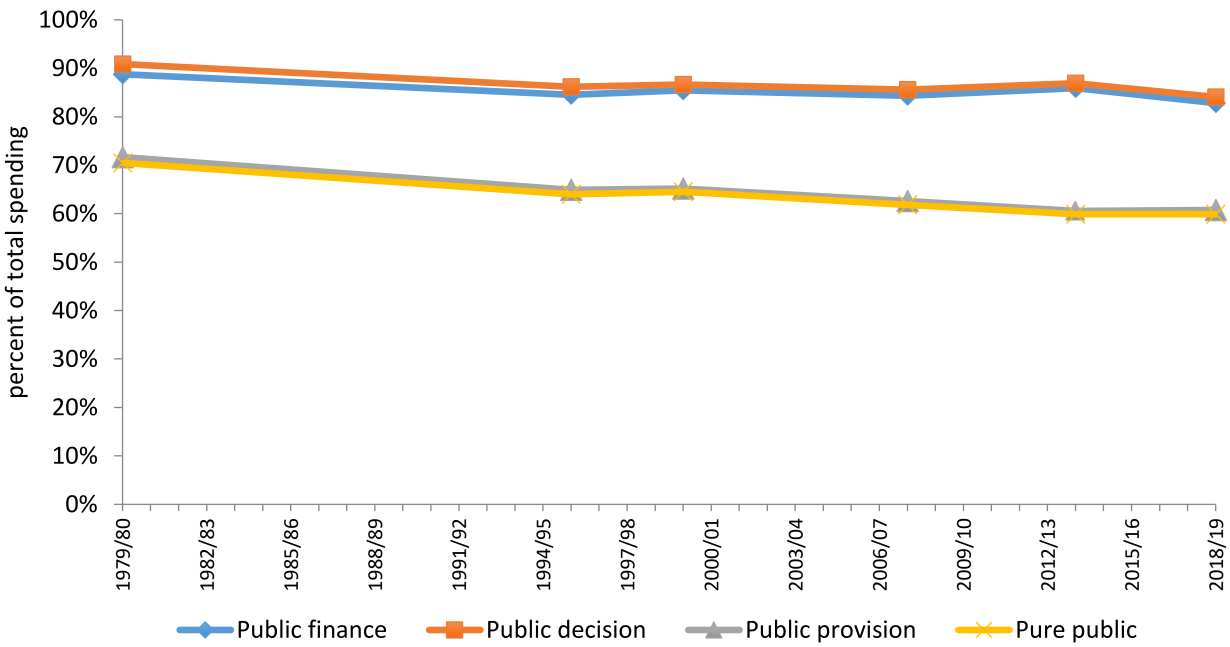
(Figure 4). However, this in no sense represents 'galloping privatisation' or the end of the NHS.

Figure 4: Proportion of total public and private spending on health by category in England, 1979 to 2019



Notes: 1. Observations are not evenly spaced over time (x axis), so care should be taken in comparing rates of change between periods.

Figure 5: Proportion of total public and private spending on health by category in England, 1979 to 2019



3.3. Social care

While the shift from public to private provision within health has been gradual and overall slight, in social care it has been dramatic and sustained although even here the pace of change appears to have slowed in the most recent period.

In terms of coverage, we aim to reflect both adult and children's public and private social care activity, and both residential and non-residential services. Adult social care accounts for around four-fifths of the total that we are able to capture. As far as public financing is concerned, we use the social services accounting framework (ASC-FR for adults and section 251 outturn for children), which reports funding and activities managed or commissioned by local authorities. This therefore omits direct funding of adult social care by the NHS (i.e. not via joint arrangements); however Burchardt et al (2020) estimate that that remains relatively small. Some private financing is also reported in the social services accounts, in the form of user charges, but mostly we rely on other sources, in particular LaingBuisson (2019) for information on adult social care self-payers. The sources on both public and private financing provide the basis for allocating spending according to whether the *provision* is public or private as well.

Social care, like early years education, is a sector in which a mechanism for private decision with public finance has become well-established, in this case through direct payments or similar mechanisms (see Figure 6) (Glasby and Littlechild, 2016). Following an assessment of need and the application of a means test, eligible individuals can opt to receive and manage a budget for their care, rather than the services being commissioned on their behalf by social services. Many of those who receive direct payments choose to employ a personal assistant or carer.

In 1979-80, 75 percent of adult social care and children and young people's services were publicly provided; by 2018-19, just 27 percent were (see Figure 7). Most of this shift occurred in the 1980s, when social security payments were first expanded to encourage residents to use private care homes, thus establishing a model of publicly financed private provision (Glennerster, 2017). After a relative plateau from 1995-96 to 2007-08, public provision fell again, taking the share of total social care spending that is publicly provided to an historic low (see Figure 7). In children's services, a majority of residential children's social care services are now provided by private companies (Bach-Mortensen et al, 2022).

Public spending was directly impacted by the 23 percent fall in per capita council spending on local services since 2009-10 (Harris et al., 2019). While councils attempted to protect social care by cutting other areas of expenditure, social care spending was nevertheless squeezed at a time when demographic and other pressures were exerting upward pressure on demand. Local authority spending on adult social care fell by 7 percent between 2009-10 and 2018-19 (Harris et al., 2019), while estimates for the change in spending on children and young people's services by local authorities over a similar period vary from a small increase of 2 percent (Harris et al., 2019) to a significant decrease of 6 percent (2010-11 to 2018-19, according to Action for Children et al, 2020).

Public financing of social care reduced significantly as a proportion of the total in the 1980s and early 1990s as the market developed: it decreased from 76 percent in 1979-80 to 67 per cent in 1995-96 (Figure 7). However since then, it has remained more or less flat. This is on the face of it puzzling. We know that public spending has been squeezed and demand has grown: formal state support for adult social care is increasingly limited to the most extreme cases of need, while resources for children's services have become increasingly focused on statutory services such as safeguarding and children in care rather than early intervention (Burchardt et al., 2020; Glennerster, 2017; Children's Society, 2020). How, then, has the proportion of private financing grown only slightly?

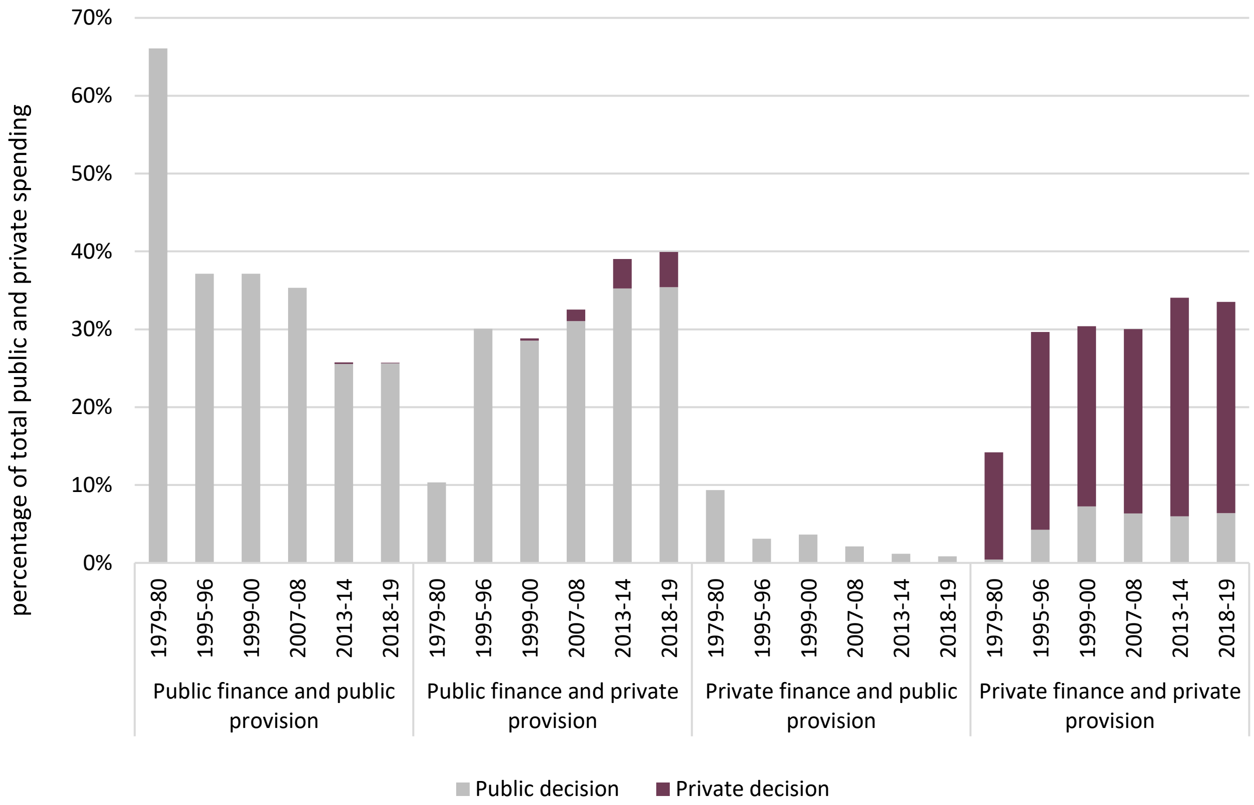
Care provided by individuals and families may be part of the answer. The informal sector remains the largest provider of social care in England, with estimates of its size ranging from £58.1 billion to £100 billion and Census data indicating an increase in the number of unpaid carers of 11 percent from 2001 to 2011 (NAO, 2018b; 2021 Census figures not year available), alongside intensification of the care provided (Burchardt et al, 2020). In 2019/20, 43 per cent of adult carers were providing 20 or more hours of care per week, compared to 36 per cent in 2011/12 (Family Resources Survey statistical releases). Though there are estimates of the size of the informal social care sector, as explained in the Introduction we do not include them in our quantitative analysis for reasons of consistency with other policy areas such as education and health, in which data are not available on unpaid or family provision of services (for example, parental inputs to education and self-care within health).

In addition, individuals and families top up public funding, through user charges (which are reflected in the private finance-public decision sections of the bars, mostly in relation to private provision), and through paying for the difference between the cost of the care that the local authority deems to be necessary and the cost of the care that the family arranges (this is private decision). We have not been able to identify an estimate of the financial value of the latter kind of top-ups although it is likely to be substantial; LaingBuisson (2022) estimate that 32% of older care home residents (age 65+) whose place was primarily local authority funded were topping up in 2018-19.

The private expenditure we can capture in our estimates – for both working age and older people – is individuals and families paying entirely for their care, in private settings (see also Henwood et al, 2022, for a wider discussion about self-funders). This amount has increased in real terms by 21 percent since 2007-08. As we find in the Health sector also, in the most recent period from 2013-14 to

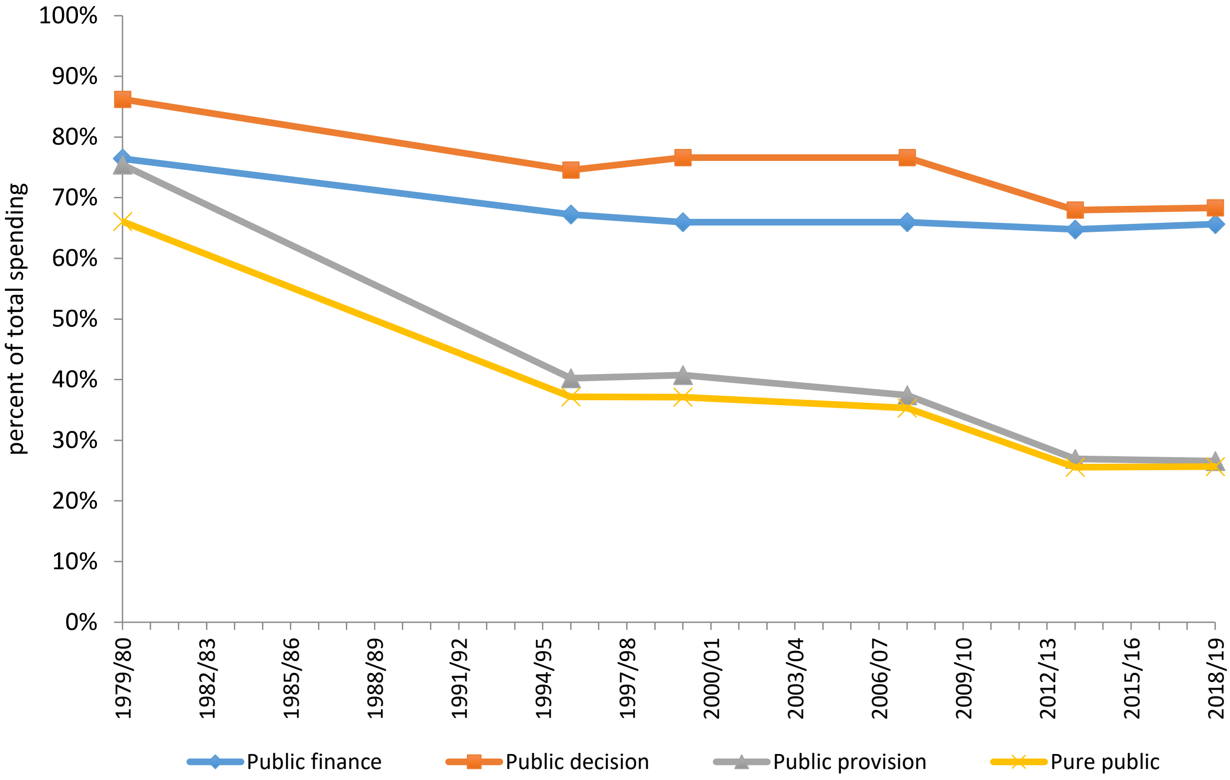
2018-19, levels of pure private spending have stagnated alongside state spending despite the continuing growth in demographic demand. One possible explanation is that we have reached a certain inelasticity in people's ability to pay for their own care, and that the informal sector may have filled the gap.

Figure 6: Proportion of total public and private spending on social care (adult social care and children and young people's services) by category in England, 1979 to 2019



Notes: 1. Observations are not evenly spaced over time (x axis), so care should be taken in comparing rates of change between periods. 2. In 2014-15, several changes were made to the reporting of adult social care, including to the categories of activity counted, the approach to designating individuals' main reasons for receiving support, and the approach to estimating the total number of people in the group for whom services could be relevant. Therefore, NHS Digital advises that while aggregate public spending between 2013/14 and 2018/19 can be treated continuously, sub-components (shown in Appendix 3) cannot.

Figure 7: Public shares of total social care spending (adult social care and children and young people's services) in England, 1979 to 2019



3.4. Income maintenance including social security and pensions

3.4.1. Coverage and classification

In this area of welfare activity, we include expenditure made for the purposes of income maintenance across the life course. On the public spending side, that is social security payments including state pensions and tax reliefs on private and occupational pensions. On the private spending side, it includes private and occupational pensions as well as the (small) market in income protection insurance, and state-mandated child maintenance payments.

In accounting for pensions, there is a choice to be made between measuring *contributions* that working-age people and employers are making towards their pensions, and measuring pension income being *received* by retirees. In so far as it is possible, we focus on contributions because it is a better reflection of the current public/private boundary, whereas pensions now being received reflect the cumulative effect of pensions policy from the 1930s onwards. Occupational and personal pensions, and previous variants of the state second pension are captured as contributions. We also include the tax reliefs they attract. However basic state pensions are measured as pensions in *payment*, because the ‘contributions’ which pay for basic state pensions are today’s taxes and National Insurance receipts, not an accumulated pot of contributions.

This hybrid approach produces a discontinuity between the 2013-14 and 2018-19 observations, because the State Second Pension (formerly the State Earnings Related Pension Scheme, SERPS) – measured as *contributions* - was incorporated for newly retiring pensioners in 2016 into the single flat-rate state pension – measured by pensions in *payment*. The implications of this are discussed further below, and we present figures for income maintenance as a whole, and for pensions separately.

We do not include the costs of benefit administration, such as Jobcentres, and therefore do not reflect the shift towards private contractors to carry out benefit assessments and welfare-to-work programmes. The spending involved is small compared to spending on benefits (£0.8bn on employment programmes as a whole in 2021-22 for example, compared to £225bn on benefits), so their omission is not significant in the overall picture of public/private provision offered here, but it would be interesting to undertake a ‘deep dive’ in future research, building on the informative narrative and policy analysis in Wright (2011) and Sainsbury (2017).

Another small but conceptually significant omission is benefit sanctions. We argue that these can be seen as a charge on receipt of working-age benefits (or a compulsory refund to the state for the claimant’s perceived breach of contract), akin to a user charge (as included in Health and in Social Care for example) or as a fine (included in Physical Security below): public provision, private finance and very definitely public decision. Unfortunately, no time series for the total value of sanctions applied is available. David Webster estimated that in 2013/14 just before the introduction of Universal Credit, and at what he describes as the height of the sanctions drive, total sanctions for Jobseekers Allowance (JSA) and Employment Support Allowance (ESA) were £356m and £5m respectively (in 2018/19 prices) (Garthwaite, 2016 and personal communication with David Webster). More recent figures for the total value of Universal Credit (UC) sanctions were obtained though Freedom of Information requests by the i newspaper (Sandhu, 2019), an estimated £79.5m in 2018/19. UC claimants made up 80% of Universal Credit and JSA claims in that year (1.10m UC claimants and 0.26m JSA; DWP, 2019a), so if we assume the rate of sanctions applied to both groups is similar, that would produce an estimate of £99m in sanctions. No equivalent estimate is available for ESA.

While we cannot include sanctions themselves, we can report one of their consequences: increased demand for foodbanks (Loopstra et al, 2018). We include for the first time an estimate of the contribution made by foodbanks, classifed as ‘private’ (i.e. non-state) finance, provision and decision. Free School

Meals expenditure is included under Education (public finance, private provision). We do not capture local authority welfare schemes, which have also become more important after the demise of the national Social Fund in 2012/13, because no central data are collected about them. Hick (2021) discusses the scale and scope of three case study local schemes.

3.4.2. Commentary on income maintenance

As Figure 9 shows, the proportion of spending on income maintenance including pensions that was public expanded from 1979/80 to 1995/96, driven by growth in spending on the state pension and other social security. It then stabilised before gradually declining. This is however in a context of increases in absolute levels of real spending at each time point until 2013/14, after which there was a real-terms cut (Table 1). While spending on the state pension has continued to grow with the triple-lock in place, since 2010 austerity and cuts to the levels and scope of working-age and child-contingent benefits have meant that spending has fallen in real terms despite upwards pressure on demand after the financial crash (Cooper and Hills, 2021). This has changed the distributional profile of pure public spending on income maintenance: pensioners have enjoyed relative protection in their income maintenance while working-age adults and families with children have not (Cooper and Hills, 2021).

In the most recent period from 2013-14 to 2018-19, Figures 8 and 9 show that the relative size of the pure public category bounced back slightly, whilst public finance declined. This curious pattern is driven by shifts in the 'decision' dimension, and by the discontinuity mentioned above caused by the ending in 2016 for new retirees and existing workers of the State Second Pension (S2P, and formerly the State Earnings Related Pension Scheme, SERPS). S2P and its predecessors were classified as public finance and provision, but private decision, since workers could opt out into non-state schemes, and were measured as contributions (£21.2bn in 2013/14). Its incorporation into the single flat-rate state pension means a shift from private to public decision, and a shift from being measured in our framework through contributions to being measured by pensions in payment. The new state pension accounts for £7.0bn in 2018/19 but is forecast to grow rapidly, reaching £21.4bn by 2022/23 (authors' calculations based on DWP, 2019b), so the dip in public finance is an artefact of the shift in classification rather than a withdrawal of state funding.

The ending of contracted-out deductions for occupational pensions (previously appearing in the public finance, private provision and decision category as £6.6bn England in 2013/14) also contributes to the growth in the 'pure public' share.

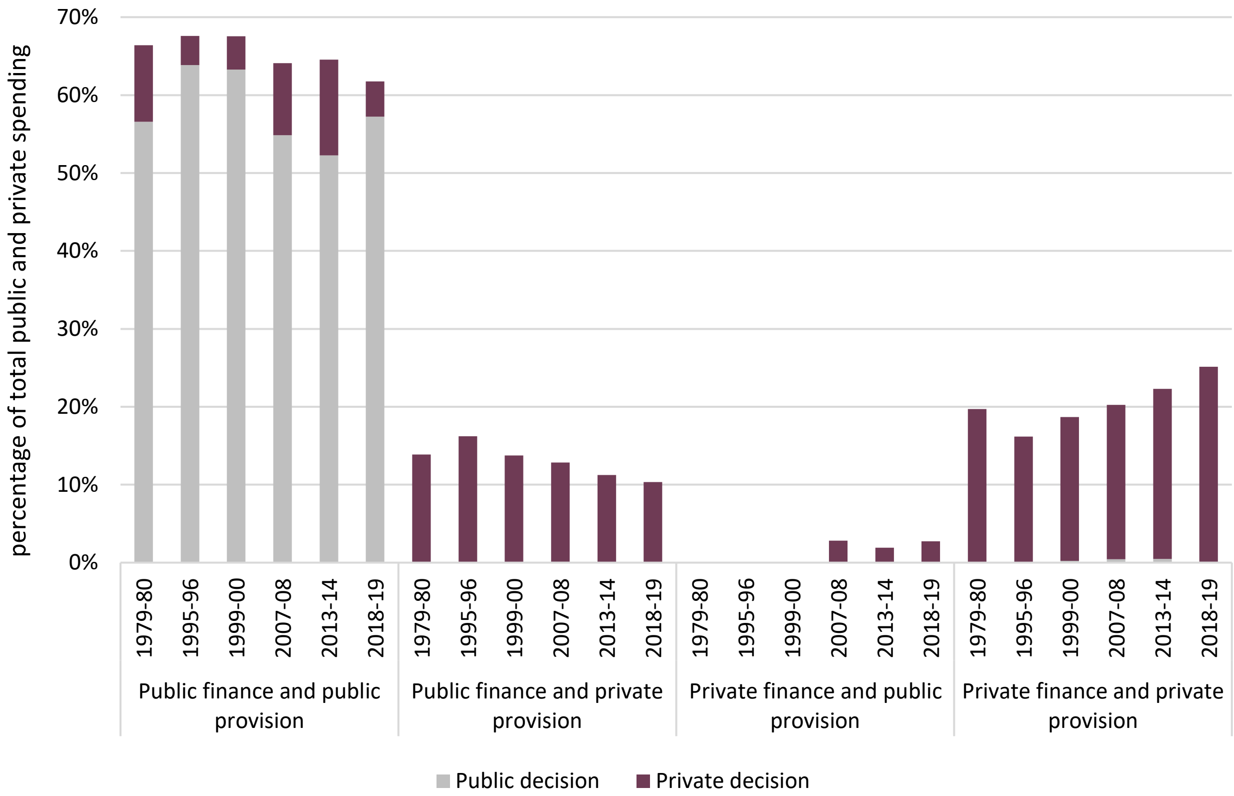
Other changes have affected the balance between public and private provision, and public and private decision, especially for pensions. Auto-enrolment of employees into a pension scheme was phased in between 2012 and 2019, requiring employers to enrol all employees, and make contributions, into either a workplace pension meeting certain basic requirements or the newly-established National Employment Savings Trust (NEST), a low-cost personal pension. Whether this 'nudge' should count as public or private decision is a moot point; we count it as a private decision on the grounds that the employee can choose between the workplace scheme and NEST, or opt out altogether if they choose. The effect of auto-enrolment has been to increase the number of people contributing to an occupational pension, and this is reflected in our figures for expenditure on private finance, provision and decision as well as the cost of tax reliefs in public finance, private provision and decision. Auto-enrolment has also created a new public provider, NEST, although contributions to NEST were still small in 2018-19 (£61m) – classified as private finance, public provision, and private decision.

For clarity, Figures 10 and 11 are pensions-only versions of Figures 8 and 9. Pensions spending (public and private) accounted for more than two-thirds of total income maintenance spending by the end of the period. Like Figure 9, the pensions-only Figure 11 also demonstrates a counter intuitive increase in pure public and decrease in public finance, demonstrating that pensions are driving this trend. The pensions-only graphs also demonstrate that much of the expansion in pure public spending from 1979-80 is driven by the state pension.

In the most recent period the role of pure private sources of welfare – private 'welfare' insurance, and direct contributions to private and occupational pensions – has expanded. Here we have included for the first time an estimate of expenditure by foodbanks in recognition of their growing role in plugging the gaps in consumption for those on very low incomes, though with expenditure of £0.038 bn they remain a small part of total income maintenance activity.

One (albeit relatively small) area of expenditure that has a complex public-private composition, and indeed one that has changed significantly over time, is child maintenance. Child maintenance has seen a turbulent history from being a private affair between individuals enforced by the courts only occasionally, to being regulated heavily by government in the early 1990s when the Child Maintenance Agency (CMA) was created, before state withdrawal in 2012 when the CMA closed to new cases and the Child Maintenance Service (CMS) was established, with its remit reduced to dealing with parents who cannot arrange child maintenance by themselves (Burchardt and Obolenskaya, 2016). The amount of pure public spending on the child maintenance system has therefore declined by 94 percent since 2007-08, while payments from parents that are made through the CMS reduced by 76 percent.

Figure 8: Proportion of total public and private spending on income maintenance (social security and pensions) by category in England, 1979 to 2019



Notes: 1. Observations are not evenly spaced over time (x axis), so care should be taken in comparing rates of change between periods. 2. Excludes housing benefit and discretionary housing payments, as these are included under housing. 3. While DWP's Outturn and Forecast for 2019-20 reapportions Universal Credit in relation to its constituent parts – housing benefit, tax credits, income-based ESA and income-based JSA – such as they were under the legacy system, it does not for 2018-19. Therefore, in order to produce an 2018-19 estimate for expenditure on Working Tax Credit and Child Tax Credit (see Appendix 3), we follow the methodology of Hills and Cooper (2021) in reapportioning Universal Credit. This rests on the assumption that the WTC and CTC element represents a constant share of UC expenditure from 2018-19 to 2019-20.

Figure 9: Public shares of total income maintenance (social security and pensions) spending in England, 1979 to 2019

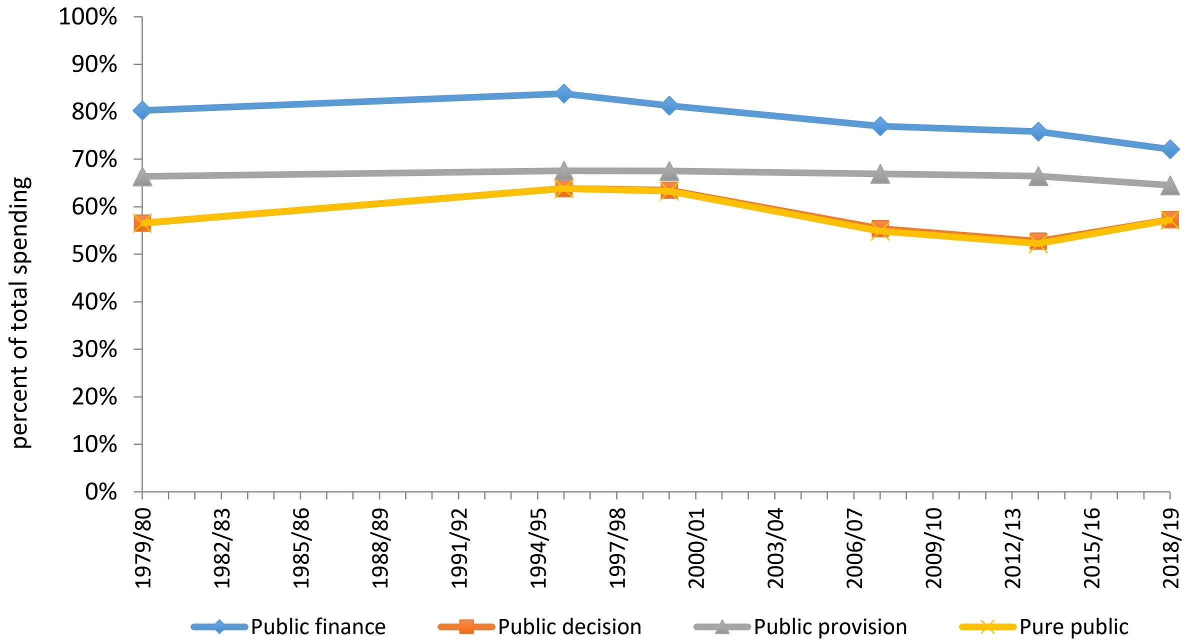
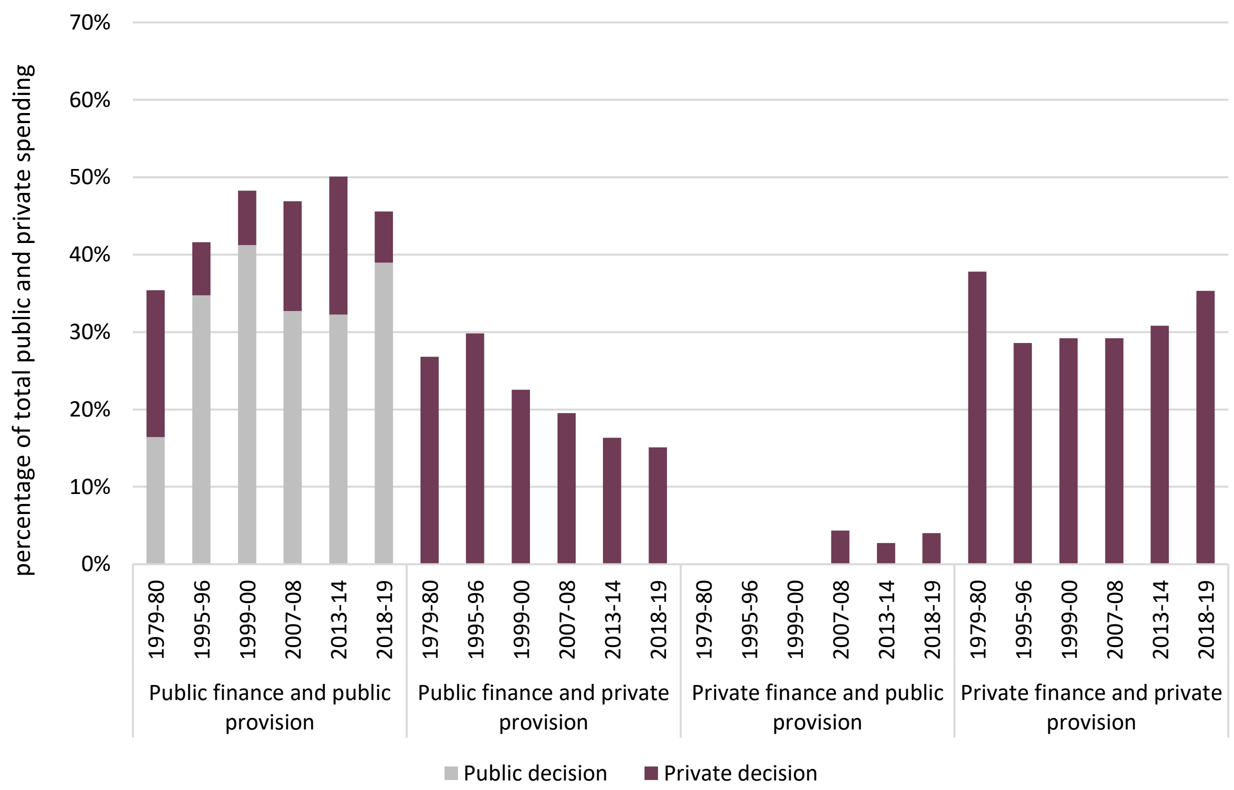
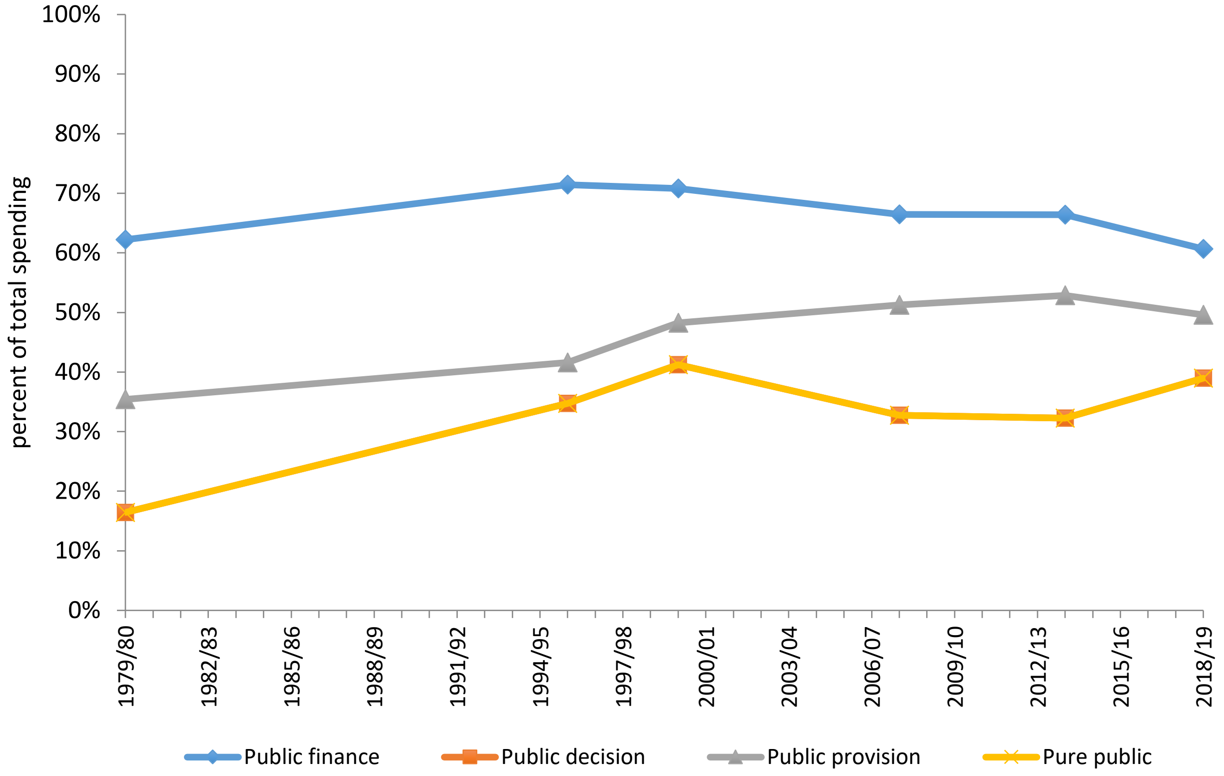


Figure 10: Figure 10: Proportion of total public and private spending on pensions by category in England, 1979 to 2019



Notes: 1. Observations are not evenly spaced over time (x axis), so care should be taken in comparing rates of change between periods.

Figure 11: Figure 11: Public shares of total pensions spending in England, 1979 to 2019



3.5. Housing

Housing continues to be the area of welfare activity most dominated by the private sector (see Figures 10 and 11). Pure private spending on housing – including imputed rent from owner-occupied housing and total spending in the private rented sector – has remained an extremely high proportion of total housing activity, at 83 percent in 2018-19, an increase of 4 percentage points from 2013-14 and an increase of 25 percentage points since 1979-80. In the 1980s and 90s, most of this increase was driven by the expansion of owner occupation and the increasing market value of these properties during the housing bubble. After the financial crisis in 2008 and the consequent decline in home ownership, it was driven further by rapid increases in spending within the private rented sector net of housing benefits: levels of spending on private rents increased by over 240 percent from 2007/08 to 2018/19 in real terms.

As the proportion of housing activity undertaken by the private sector has continued to grow, there has been a corresponding reduction in the proportion undertaken by the pure public category. This includes spending on housing benefit for local authority social housing, the size of the economic subsidy for local authority tenants (the discount on the market rent they would otherwise pay) and spending on publicly provided homelessness services. The proportion of total spending on these items has shrunk by 14 percentage points from 1979-

80 to 2018-19, driven primarily by the declining size of the economic subsidy for public social housing since the late 1990s. Although homelessness services are a small element within this, the fall in spending in the 2000s was dramatic, as shown in more detailed analysis by Fitzpatrick and Bramley (2021). Spending on the Supporting People programme and on administrative support and preventative work fell, while spending on temporary accommodation increased as caseloads increased, producing an overall fall in expenditure of 38% in England between 2010/11 and 2017/18.

Our method for calculating the size of the economic subsidy for social housing utilises Wilcox's (2008) estimates of market rent for properties equivalent to the social housing stock, uprated to 2018-19.[5] Subsequent to Wilcox's calculations, in 2011-12, 'affordable rents' were introduced, allowing housing associations and local authorities to charge a higher proportion (a maximum of 80 percent) of market rent for some housing stock. This may have altered the composition of the social and 'affordable housing' stock and, as such, the value of its market rent. We have not accounted for this possible change in composition, since we have no equivalent estimate for the market rental value of the housing stock leased under 'affordable rents'. In 2017-18, 13 percent of new tenancies were 'affordable rents' (MHCLG, 2019a).

The relative decline of publicly financed activity has had implications for the public finance private provision category. This category has declined as a share of total activity by 6 percentage points from 1999-00 to 2018-19, driven mostly by shrinking state support for programmes that are subject to private decision by renters and homeowners (see Figure 10). The abolition of tax relief for mortgage interest in 2000 and the conversion of the Support for Mortgage Interest (SMI) grant into a loan in April 2018 has reduced the amount of upfront, grant-based government support for mortgage payments (Wilson, Kennedy and Keen, 2018). The size of the Right-to-Buy discount – the discount for which social tenants are eligible if they choose to buy their council property (or transferred stock) –shrank significantly between 1990-00 and 2010-11, before rising again in the more recent period (DLUHC, 2022). The average discount over the 15 years up to 2018-19, weighted by number of sales for local authority and registered provider properties in each year, was 38% (author's calculations using DLUHC, 2022). This is close to the value of 30-35% that Wilcox (2006) calculated was a theoretical 'break-even' point of Right to Buy discounts for the public purse, offsetting the discount on the purchase against the economic subsidy on rent that the purchaser foregoes, on the assumption that in the

[5] The size of the economic subsidy is the difference between the economic rent of LA properties and the actual social rent paid by tenants. The economic rent of LA properties has been estimated by uprating Wilcox (2008)'s estimate of economic rent in 2007/08 in line with growth in private rented sector rents from 2007/08 to 2015/16 (which the IFS (2015a) reports as 3.7% in cash terms), and then uprating from 2015/16 to 2018/19 by the rate of inflation. The actual social rent paid by tenants (2017-18) is provided by MHCLG (2019a).

absence of purchase the tenancy would have continued for a median of 15 years (see also Hills, 2007). Accordingly, and following the methodology applied in previous iterations of this exercise, we include a value for Right to Buy in the private provision, public finance and private decision category, approximated by 15 years of cumulative Right to Buy sales multiplied by the economic subsidy on rent.

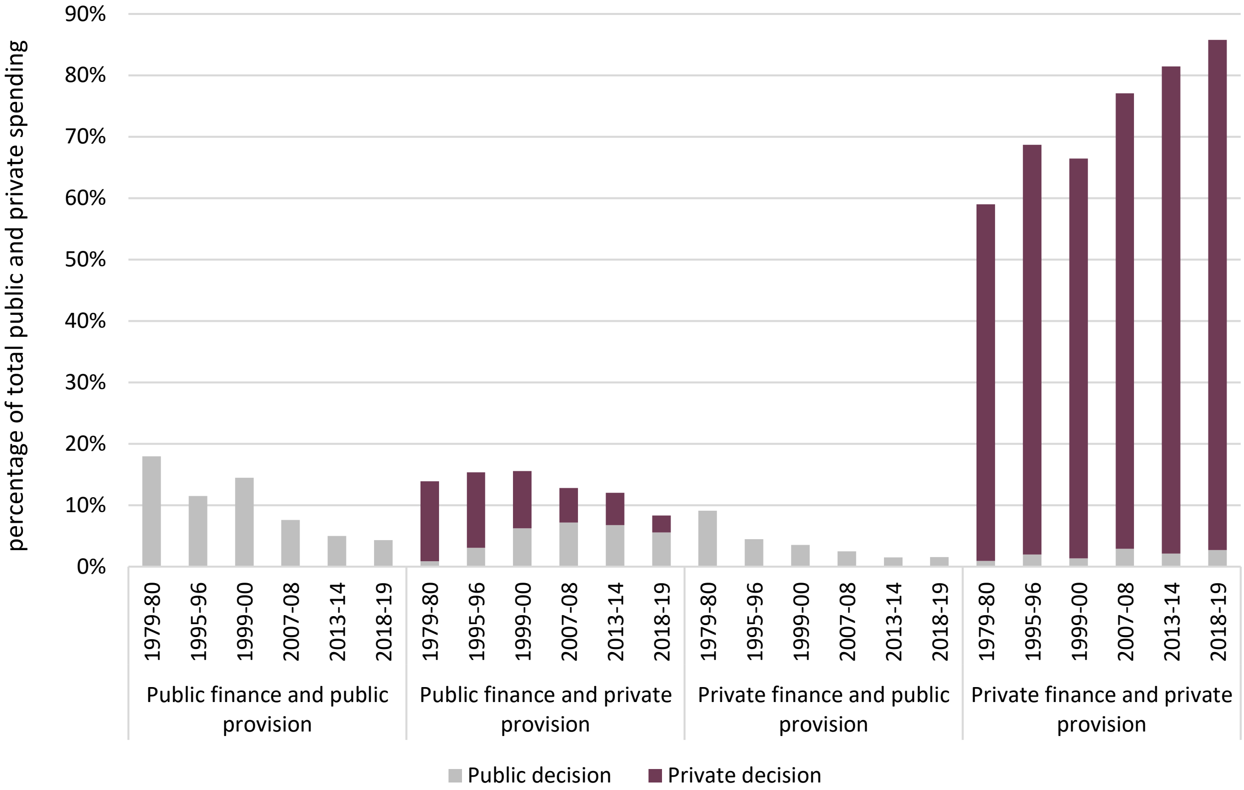
There are also other smaller public spending schemes supporting private provision and decision that we have not been able to include, such as Help to Buy, which provides an equity loan on beneficial terms to first-term buyers purchased a new-build home. The scheme is now being wound down and the Public Accounts Committee was unable to ascertain the net cost to the public purse (CPA, 2019).

Reductions within the public decision component of publicly financed and provided services, on housing benefits and the size of the economic subsidy for housing association tenants, have also contributed towards the decline in public spending.

One element of publicly financed activity we have not been able to include is Discretionary Housing Payments (DHP), because a breakdown of spending between local authority, housing association and private tenants is not available. DHPs are awarded in restricted circumstances by local authorities to Universal Credit or Housing Benefit claimants whose benefits do not cover their full rent. Total expenditure (central government allocation plus local authority top-ups) was £142m in England in 2018/19 (DWP, 2019c), less than 1% of the Housing Benefit bill, so this is small in overall terms, although potentially very significant to those who do (or don’t) receive it.

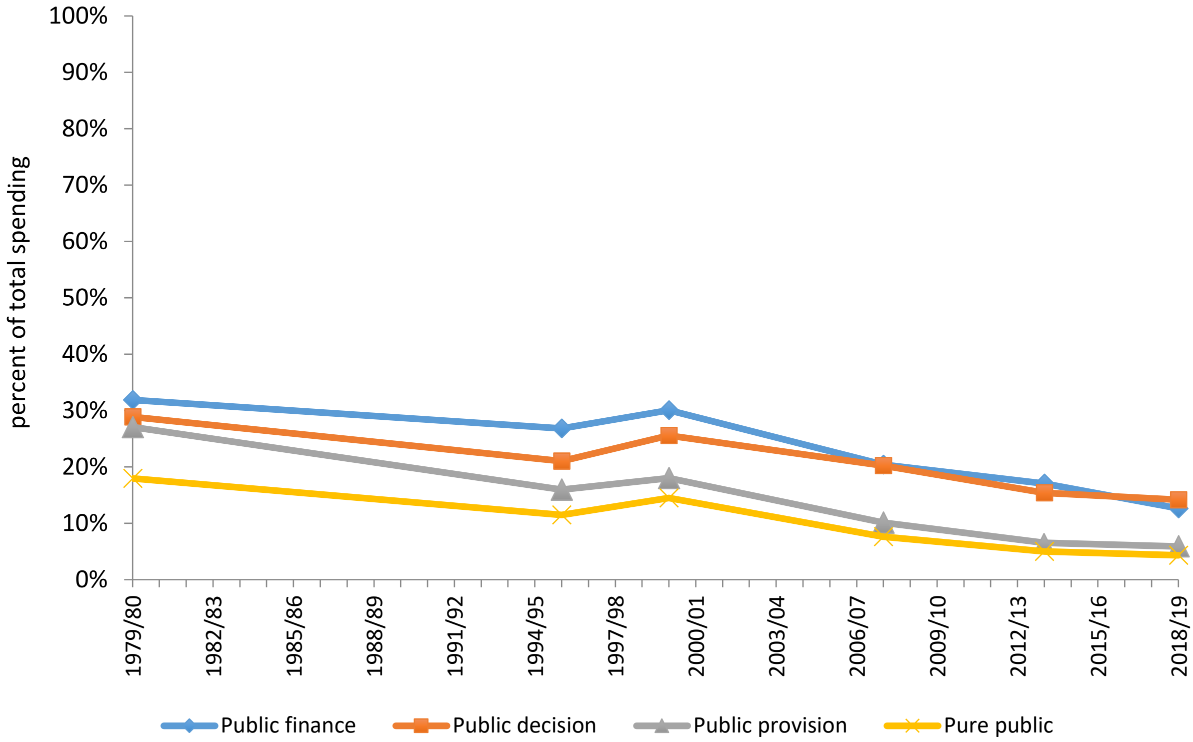
The trends in public provision and finance can be seen in Figure 11, which shows that even from a very low base all public shares have decreased relatively linearly since 1979, with the slight exception of the period from 1995-96 to 1999-00 under Labour where they made a partial recovery.

Figure 12: Figure 12: Proportion of total public and private spending on housing by category in England, 1979 to 2019



Notes: 1. Observations are not evenly spaced over time (x axis), so care should be taken in comparing rates of change between periods. 2. While DWP's Outturn and Forecast for 2019-20 reapportions Universal Credit in relation to its constituent parts – housing benefit, tax credits, income-based ESA and income-based JSA – such as they were under the legacy system, it does not for 2018-19. Therefore, in order to produce an 2018-19 estimate for expenditure on Housing Benefit (see Appendix 3), we follow the methodology of Hills and Cooper (2021) in reapportioning Universal Credit. This rests on the assumption that the Housing Benefit element represents a constant share of UC expenditure from 2018-19 to 2019-20.

Figure 13: Figure 13: Public shares of total housing spending in England, 1979 to 2019



3.6. Physical safety and security

For the first time in this series, we include estimates of public and private activity within physical safety and security, to complement and extend new work on this area within the SPDO programme (Cooper and Lacey, 2019). The provision of physical safety and security has long been considered a responsibility of the state, although debate continues as to whether it is properly part of the *welfare* state. While a range of social policies such as healthcare are prerequisites for the physical safety and security of citizens, to avoid duplication we focus primarily on the criminal justice system and the services that provide direct physical protection for citizens.

Figure 14 shows estimates of the proportion of total public and private spending on physical safety and security by category in 2018-19. We do not provide a historical time series for reasons of data availability. Our estimates are corroborated well by PESA estimates of aggregate spending on this area (HMT, 2019). We find that the welfare mix of physical safety and security is most comparable to that of education in 2018-19: high levels of public finance and provision, combined with a substantial pure private element and minimal hybrid provision (for comparison, see Figure 15).

We exclude privately paid legal fees on the basis that it is extremely difficult to isolate legal fees for cases that pertain to physical security and safety rather than broader family or civil cases; this exclusion implies that our totals underestimate privately financed private provision. We do include public spending on criminal legal aid, as it is possible here to separate criminal from civil spending and thus better isolate the amount of spending on physical safety and security.

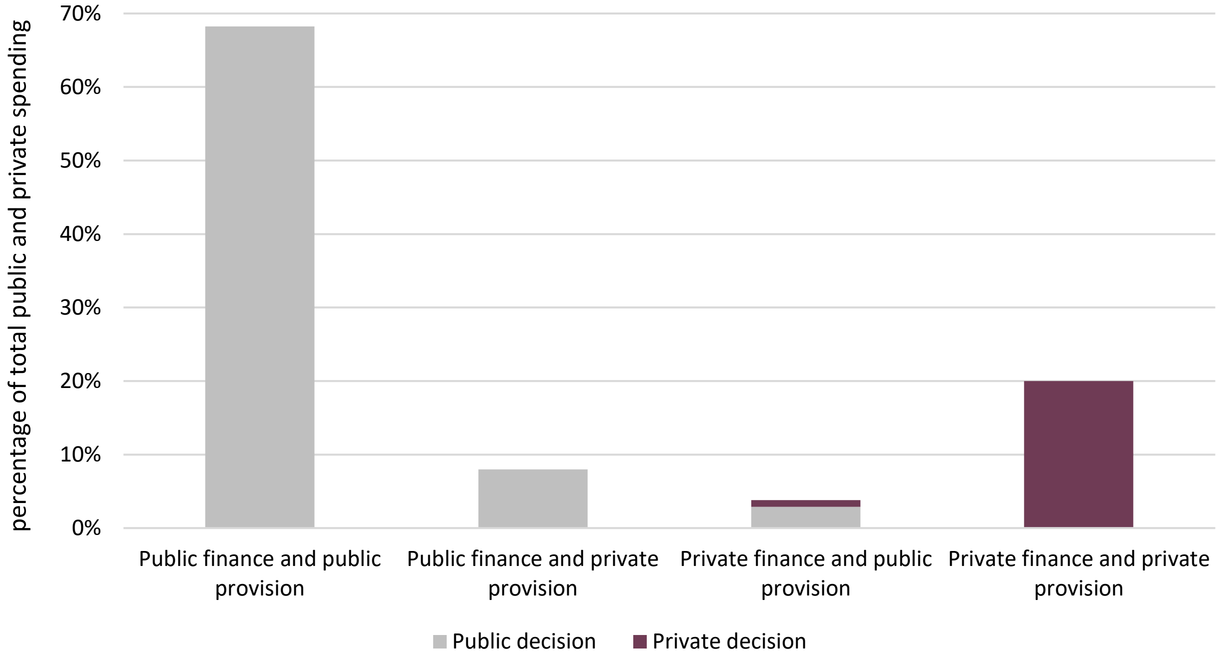
Most activity in this area falls within the pure public category. This includes public spending on policing, the criminal justice system (courts and the Crown Prosecution Service (CPS), some prisons), and fire and rescue services (including the Maritime and Coastguard Agency). We also include asylum services on the basis that they (should) offer physical safety to individuals and families whose human rights and safety are under threat from elsewhere.

The state provides some funding for privately provided services in this policy area. This includes contracted-out policing, courts, probation, prison and detention services, and ancillary services for the police (including catering, cleaning and laundry), council funding for voluntary sector domestic violence refuges, and criminal legal aid. Cuts to criminal legal aid since 2013 have exacerbated socio-economic inequalities in access to justice (Justice Committee, 2018). Just five years after the government outsourced low-to-middle risk probation services to community rehabilitation companies (CRCs), in May 2019 the government announced that it would be renationalised by spring 2021 after public criticism drew attention to rises in severe reoffending under CRCs (Carr, 2019; Grierson, 2020).

As in other policy areas, we classify all income from fees and charges in publicly provided services as privately financed public provision. This includes income paid by private companies to the police for special policing of private events (such as football matches) (Home Office, 2019a, b). We also include criminal fines as reported by the Ministry of Justice on the basis that, since they are directed into the Treasury's Consolidated Fund which pays amongst other things for net expenditure of departments, they can be considered a form of user fee for public services (though no doubt not experienced as such by those who pay them!). These items of expenditure all fall within public decision, as individuals have little to no control over how much they consume the 'provision'. A small proportion of privately financed public provision is subject to private decision: charges for Disclosure and Barring Service (DBS) checks by the Home Office, and prison income from prisoners' spending on in-cell TV and for items in prison shops.

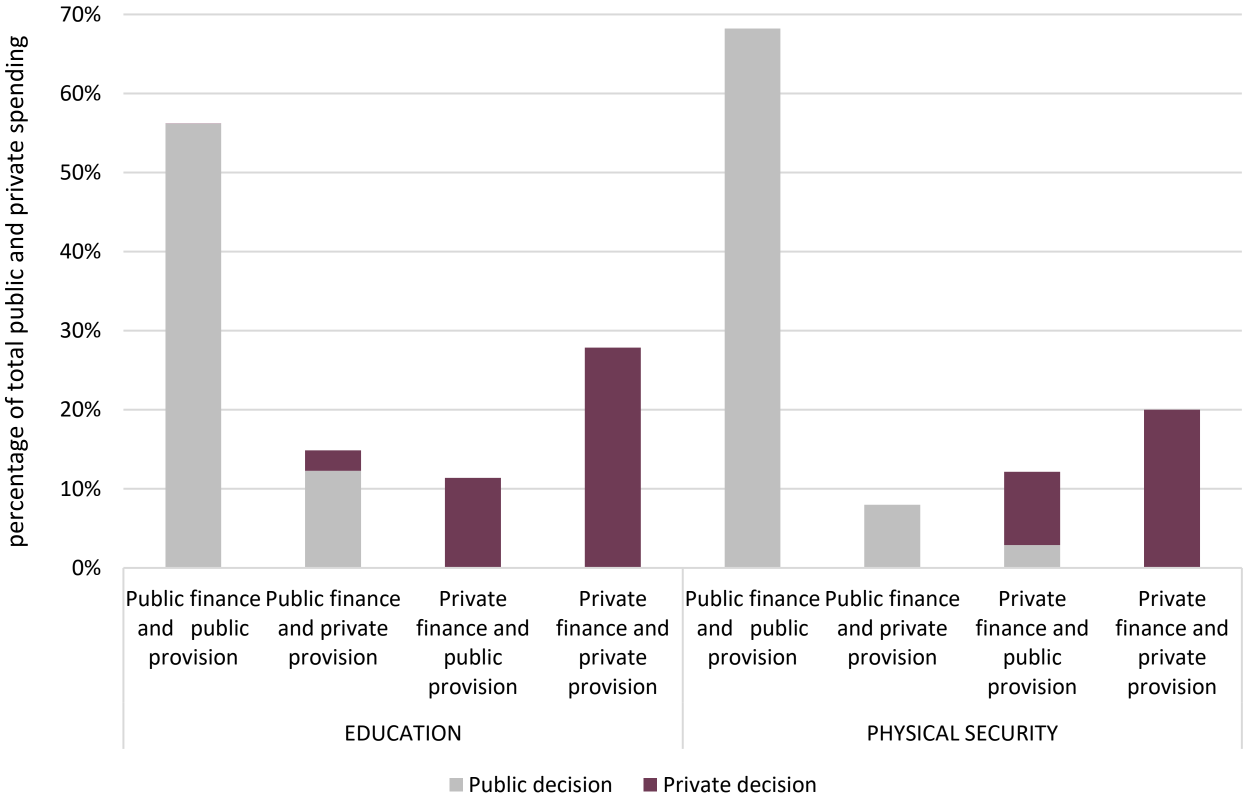
The pure private category of physical safety and security has attracted increasing attention in recent years, amidst concerns of the privatisation of the security industry. In 2015, the private security industry had an estimated size of over £6 billion in the UK economy, and in Britain there were more private security guards than police officers (Provost, 2017).

Figure 14: Figure 14: Proportion of total public and private spending on physical safety and security by category in England, 2018-19



Notes: Secure psychiatric services are included within health.

Figure 15: Comparison between the distributions of total spending on education and on physical safety and security by public/private category in England, 2018-19



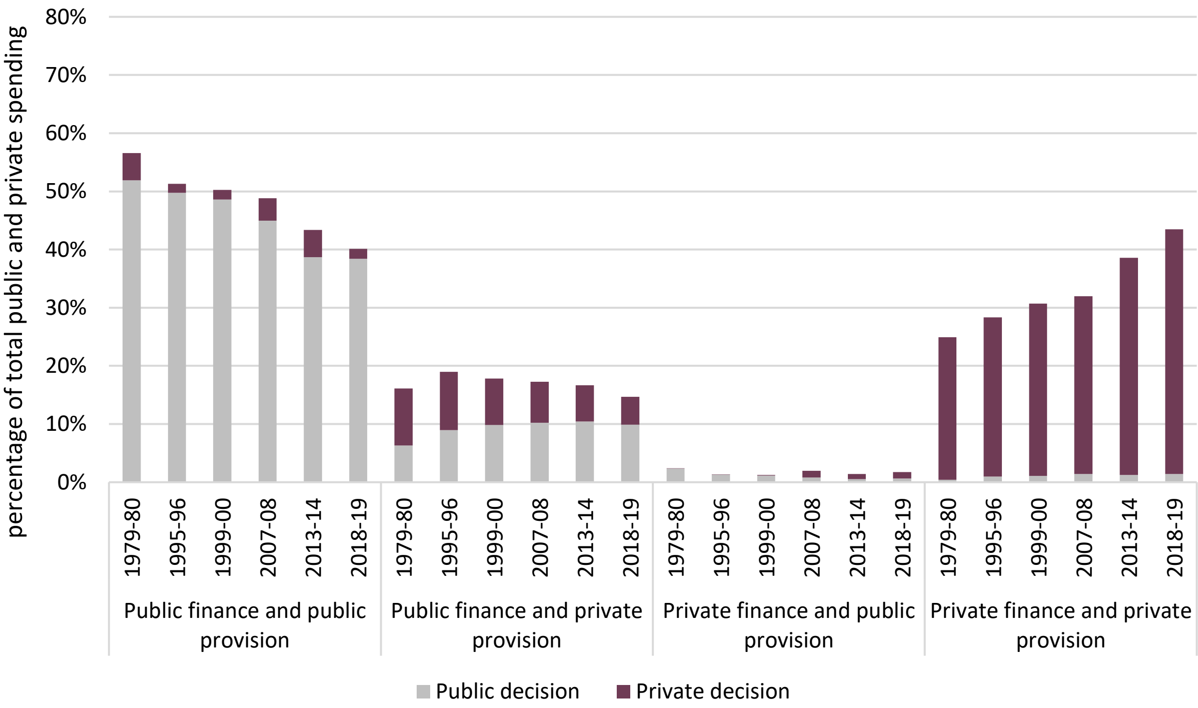
3.7. Overall private and public welfare activity

Adding these policy areas together (with the exception of physical security because we only have one year's data), Figure 16 a) summarises the shifts in aggregate private and public welfare activity since 1979. Since housing is something of an outlier in the sheer scale of its reliance on private finance and provision, we also show a version b) that excludes housing. This avoids overstating the extent of the shift from public to private sector involvement over time.

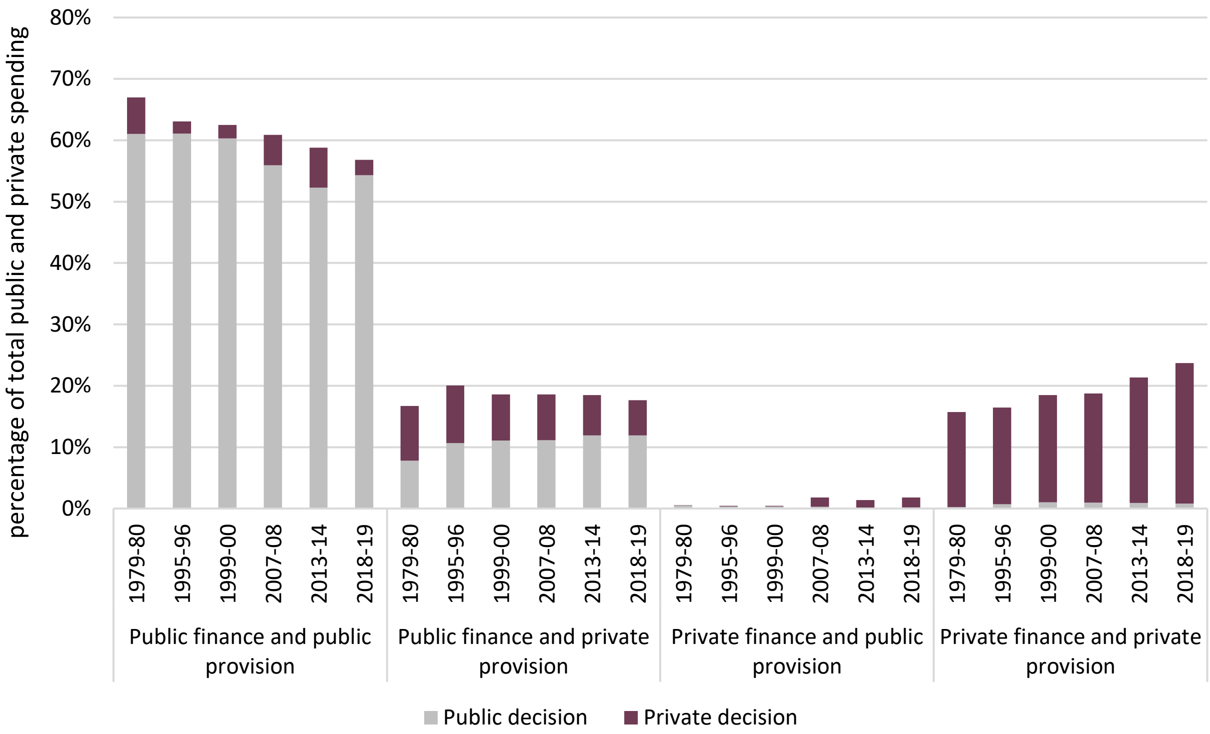
The Figure shows that spending on publicly financed public provision has decreased as a proportion of total welfare activity since 1979-80, while spending on privately financed private provision has expanded. This trend is consistent regardless of whether we include housing, though the magnitude is much larger when housing is included. Including all policy areas, the proportion of total welfare spending that is publicly financed and provided decreased from 57 percent in 1979-80 to 40 percent in 2018-19, while the proportion that is privately financed and provided increased from 25 percent to 43 percent. Excluding housing, public finance public provision decreased in proportionate terms from 67 to 57 percent over this period, while private finance private provision increased from 16 percent to 24 percent.

Figure 16: Proportion of overall public and private spending by category in England, including and excluding housing, 1979 to 2019

a) Education, health, social care, income maintenance and housing



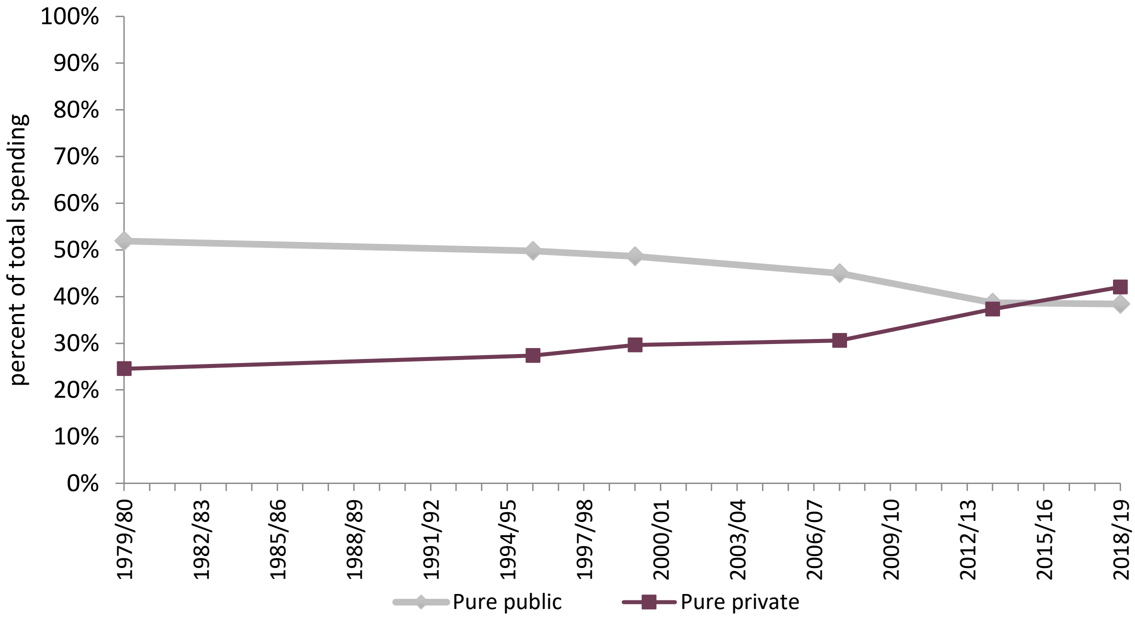
b) Excluding housing



Notes: Observations are not evenly spaced over time (x axis), so care should be taken in comparing rates of change between periods.

Figure 17: Overall public share of pure public and pure private welfare activity in England, including and excluding housing, 1979/80 to 2013/14

a) Education, health, social care, income maintenance and housing



b) Excluding housing

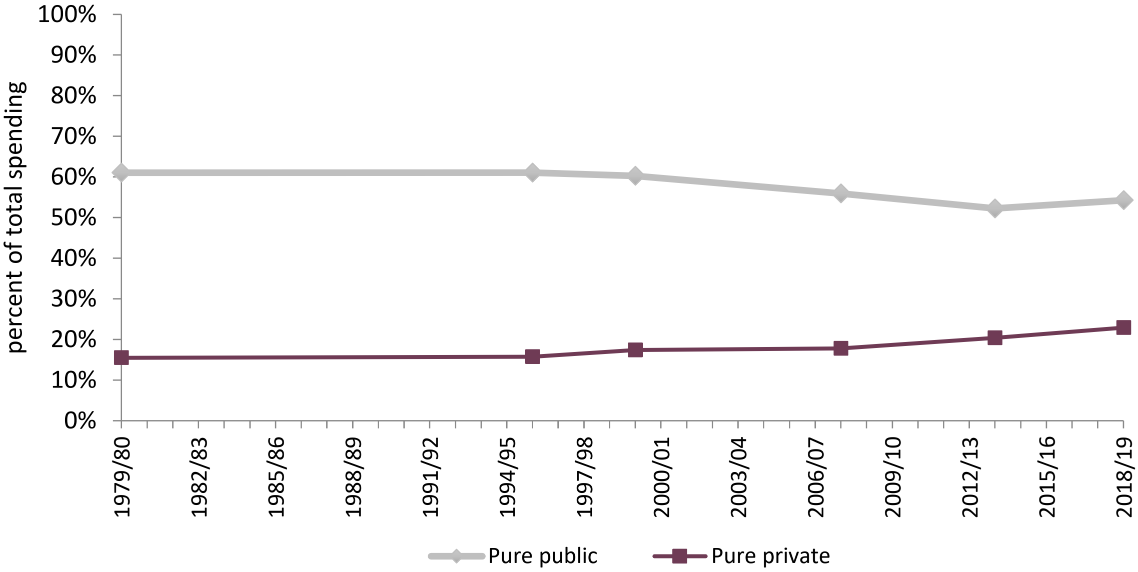


Figure 17 shows the evolution of the two extreme ends of the public-private dichotomy: the proportion of expenditure that is pure public or pure private. When we include all policy areas, the proportion of expenditure that is pure public has decreased and pure private has increased to such an extent that the latter has overtaken the former as of 2018-19. Excluding housing, the trend is less stark: pure private has crept up over the period and pure public has decreased from 61 to 54 percent since 1979-80.

However, this should not lead us to conclude that the 'traditional' welfare state is shrinking. Table 1 provides the context of the amounts spent over time, in real terms and as a percentage of GDP, by policy area and public-private classification. It's a dense table, but a key point to highlight is that real spending in the public finance columns (1 to 4) has grown substantially over time in each of the four classifications. In fact, total public finance (excluding physical security) on welfare activity is 2.5 times as great in real terms in 2018-19 as it was in 1979-80. This also represents a slight *growth* as a percentage of GDP, from 18.1 percent to 19.7 percent.

The fall in the proportion of total welfare activity attributable to public finance (and public provision) seen in Figures 16 and 17 is therefore driven not by reductions in spending, but rather by the fact that increases in private spending have been faster than increases in public spending. Private spending (Table 1 columns 5 to 8) has grown in real terms from £64 to £356bn (in 2018/19 prices): a 5.6 fold increase, more than twice the rate of growth in public spending. It started from a much lower base as a percentage of GDP – 6.8 per cent in 1979-80 – but has mushroomed to 16.2 per cent in 2018-19.

It seems, then, that our appetite for welfare of whatever kind has increased substantially over time.

Table 1: Welfare activity by category and policy area, 1979/80 to 2018/19, England, £ billion in 2018-19 prices and as percentage of GDP

	Public finance				Private finance					
	Public provision		Private provision		Public provision		Private provision			
1979/80	Public decision	Private decision	Public decision	Private decision	Public decision	Private decision	Public decision	Private decision	All	As % GDP
Education	20.7	0.0	7.4	0.9	0.0	0.0	0.0	2.6	**32**	3.3
Health	24.2	0.0	6.3	0.0	0.3	0.1	0.4	3.0	**34**	3.6
Housing	8.9	0.0	0.4	6.5	4.5	0.0	0.5	28.9	**50**	5.3
Social security	63.3	11.0	0.0	15.5	0.0	0.0	0.0	22.0	**112**	11.8
Social care	4.6	0.0	0.7	0.0	0.6	0.0	0.0	1.0	**7**	0.7
Total	**122**	**11**	**15**	**23**	**5**	**0**	**1**	**58**	**234**	24.8
As % GDP	12.9	1.2	1.6	2.4	0.6	0.0	0.1	6.1		
1995/96										
Education	30.2	0.0	11.9	1.8	0.0	0.0	0.0	7.0	**51**	3.8
Health	42.0	0.0	13.1	0.3	0.3	0.3	1.1	8.4	**66**	4.9
Housing	10.1	0.0	2.7	10.8	4.0	0.0	1.7	58.8	**88**	6.6
Social security	101.7	6.0	0.0	25.8	0.0	0.0	0.0	25.7	**159**	11.9
Social care	8.4	0.0	6.8	0.0	0.7	0.0	1.0	5.8	**23**	1.7
Total	**192**	**6**	**35**	**39**	**5**	**0**	**4**	**106**	**387**	28.8
As % GDP	14.3	0.4	2.6	2.9	0.4	0.0	0.3	7.9		
1999/00										
Education	29.5	0.0	12.3	1.1	0.0	0.0	0.0	9.8	**53**	3.4
Health	51.5	0.0	16.5	0.2	0.1	0.4	1.0	10.1	**80**	5.2
Housing	16.2	0.0	7.0	10.4	4.0	0.0	1.5	72.8	**112**	7.3
Social security	106.1	7.2	0.0	23.0	0.0	0.0	0.4	31.0	**168**	10.9
Social care	9.8	0.0	7.5	0.1	1.0	0.0	1.9	6.1	**26**	1.7
Total	**213**	**7**	**43**	**35**	**5**	**0**	**5**	**130**	**438**	28.6
As % GDP	13.9	0.5	2.8	2.3	0.3	0.0	0.3	8.5		
2007/08										
Education	49.5	1.7	14.7	4.4	0.0	0.0	0.0	12.3	**83**	4.3
Health	71.5	0.0	25.9	0.2	0.5	0.4	1.1	16.1	**116**	6.1
Housing	10.5	0.0	9.9	7.7	3.5	0.0	4.1	102.5	**138**	7.2
Social security	129.0	21.7	0.3	29.9	0.0	6.7	1.1	46.5	**235**	12.3
Social care	13.2	0.0	11.6	0.5	0.8	0.0	2.4	8.8	**37**	2.0
Total	**274**	**23**	**62**	**43**	**5**	**7**	**9**	**186**	**609**	31.9
As % GDP	14.3	1.2	3.3	2.2	0.3	0.4	0.4	9.7		
2013/14										
Education	48.3	1.4	15.9	3.0	0.0	0.9	0.0	22.9	**92**	4.7
Health	83.1	0.0	35.9	0.2	0.4	0.5	1.3	17.4	**139**	7.0
Housing	11.1	0.0	15.1	11.6	3.4	0.0	4.7	176.2	**222**	11.3
Social security	147.0	34.6	0.0	31.6	0.0	5.3	1.4	61.3	**281**	14.3
Social care	10.1	0.1	13.9	1.5	0.5	0.0	2.4	11.1	**40**	2.0
Total	**300**	**36**	**81**	**48**	**4**	**7**	**10**	**289**	**774**	39.3
As % GDP	15.2	1.8	4.1	2.4	0.2	0.3	0.5	14.7		
2018/19										
Education	44.2	1.9	14.9	2.3	0.0	1.0	0.0	24.7	**89**	4.1
Health	91.0	0.0	34.6	0.2	0.7	0.6	1.4	23.3	**152**	6.9
Housing	10.8	0.0	13.9	6.9	3.9	0.0	6.8	208.1	**251**	11.4
Social security	146.1	11.6	0.0	26.4	0.0	7.0	0.3	63.9	**255**	11.6
Social care	10.6	0.0	14.6	1.9	0.4	0.0	2.6	11.2	**41**	1.9
Physical security	*18.3*	*0.0*	*2.1*	*0.0*	*0.8*	*0.3*	*0.0*	*5.4*	***27***	1.2
***Total** (including physical security)*	***321***	***14***	***80***	***38***	***6***	***9***	***11***	***337***	***815***	*37.1*
As % GDP	*14.6*	*0.6*	*3.7*	*1.7*	*0.3*	*0.4*	*0.5*	*15.3*		
Total (excluding physical security)	**303**	**14**	**78**	**38**	**5**	**9**	**11**	**331**	**788**	35.9
As % GDP	13.8	0.6	3.6	1.7	0.2	0.4	0.5	15.1		

Source: Authors' calculations from a wide range of sources. For 2018/19 see Appendix 2 and 3. For earlier years see Burchardt (1997), Smithies (2005), Edmiston (2011), Hills (2011) and Burchardt and Obolenskaya (2016).

4. Discussion

The vast majority of children are still educated in publicly-financed schools, provided by organisations controlled, to a greater or lesser extent, by local authorities or the Secretary of State for Education and hence classified as public sector. Most patients are still treated in the NHS, by NHS providers and free at the point of use. Income security throughout the lifecycle continues to be crucially underpinned by publicly-financed benefits, tax credits, pensions and tax reliefs. The welfare state is alive and kicking. In fact, despite repeated initiatives by the Conservatives – in government for two-thirds of the four-decade period that we examine – to shrink the state, and enthusiastic endorsement of quasi-markets and contracting out by New Labour, public finance for welfare activities slightly increased in real terms and as a percentage of GDP between 1979-80 and 2018-19 (Table 1), and public finance for private provision (the category in which contracted out services appear) represented only a slightly larger share of public spending at the end of the period as at the beginning (Figure 16).

But alongside these continuities, there are gradual shifts in the *proportions* of total spending, from public to private finance, from public to private provision, and from public to private decision. In education, higher education finance has shifted from public towards private, further education provision has been reclassified as private, and the expansion of early years education and care has been largely delivered through public subsidy to private providers. In health, and even more so in social care, some contracting out was apparent, although in both cases the rate of increase has slowed in the most recent period. In income maintenance, pensions policy has at times expanded private provision and finance (topped up or incentivised with public finance) and at times moved in the opposite direction, with faster expansion of the state pension than private alternatives. In housing, a decisive shift away from public finance for public provision towards Housing Benefit and other subsidies for private provision has been apparent, whilst private finance and provision has expanded dramatically.

Our appetite for 'welfare' as a whole has increased substantially, as a result of demographic change and the rising expectations that are attendant on improved standards of living. The difference between relatively stable public finance and provision on the one hand, and on the other galloping demand for more education, health, social care, and so on, has led to a substantial expansion of private welfare finance and provision.

Looking at the 'welfare pie' as a whole (Figure 16), private finance accounted for just over one quarter at the start of the period (27.3%) and four decades later made up just under half of spending overall (45.2%). Private provision (whether publicly or privately financed) increased from two-fifths to three-fifths of the total (41.0% to 58.1%). Putting it another way, across the policy areas, private finance has grown by 66 per cent, private provision by 42 per cent, and private decision by 27 per cent.

How will these trends continue? The pandemic was met, necessarily, with a massive expansion of state-financed welfare in the form of public health measures, some of which were delivered through contracts or partnership with the for-profit and voluntary sectors, and through the furlough scheme and self-employment income support. The cost of living crisis has also prompted large-scale state interventions in the market, with energy price caps and direct fuel subsidies to consumers. But at the same time, political resistance to the expansion of social spending as a share of GDP has become increasingly apparent, and at the time of writing (October 2022), a new wave of austerity is being debated.

It is difficult to know what form a new settlement of the boundaries between public and private welfare will take, or indeed whether a 'settlement' will be found at all. Were existing long-run trends to reassert themselves, Figure 17 suggests the publicly-financed publicly-provided welfare state would have a minority role in another 40 years' time.

Should we care? Yes – although for slightly different reasons in relation to different parts of the overall welfare pie. In relation to public vs private financing of welfare, we should care because the market allocates according to willingness and ability to pay, not according to social need. This is not to imply that publicly-financed services are a guarantee of effectively meeting social need – they are not – but they have the *potential* to distribute support towards those with the greater needs. By contrast, greater reliance on privately-financed welfare has the potential to re-enforce and exacerbate economic and social inequalities, creating new higher norms for welfare – such as higher education, housing in an area with a buoyant labour market, and prompt high-tech healthcare treatment – that are within reach only of those who can afford to pay. This in turn can stagnate the economy and stifle social mobility, generate additional needs (for example via impacts on skills, and on mental and physical health), and contribute to social fragmentation (making even the residual publicly-financed welfare more difficult to deliver and to sustain politically).

Whether welfare is publicly or privately financed also matters because market failures – from adverse selection in health insurance markets to behavioural biases in pension savings – lead to substantial welfare losses. In some cases these market failures can be addressed through publicly-financed alternatives.

In relation to private *provision* of welfare, the incentives of private providers are geared towards rewarding their shareholders rather than democratic accountability. In principle, effective regulation, contract management and quality control mechanisms can align shareholders' interests with benefitting people in need, but this has hitherto proved elusive. Greater reliance on private provision tends to lead to more or less hidden forms of 'cream-skimming' (taking the easiest 'customers'), resulting in exclusion of those with the greatest needs, and to inequality of outcomes.

But although these general patterns are clear, important questions remain unanswered and would be interesting questions for further research. Which combinations of public and private finance, provision and decision, and in which policy areas, produce optimal take-up and access to services, and for which population groups? To what extent have the different trends that we have documented in this paper contributed to changes in overall economic and social inequality?

Finally, it is worth noting that there is nothing inevitable about this gloomy outlook. Firstly, the expansion of private spending on welfare activities indicates a willingness to pay in the part of at least some sections of the population that could, potentially, be channelled into more solidaristic arrangements, that still meet the demand for 'more' welfare. Secondly, examining trends over the last 40 years, especially in the context of the detailed analysis of policies, spending and outcomes contained in other papers in the SPDO series (see Vizard and Hills, 2021, for an overview) makes abundantly clear that change is possible: sustained and coordinated policy effort can ensure that spending is effectively geared towards socially-desirable ends, such as reducing child poverty or narrowing health inequalities, even in a context of public spending constraints.

Appendix 1: Comparison of OECD SOCX coverage and CASE framework

	OECD SOCX	**CASE framework**
Definition of target expenditure	Social expenditure 1. Addresses one of more social purposes; AND EITHER 2. Involves inter-personal redistribution OR 3. Involves compulsory participation	Welfare expenditure 1. Aims to meet a person's needs 2. Through individual, family, occupational, market or collective means
Main classifications	• Public social expenditure (financial flows controlled by general government) • Mandatory private social expenditure (stipulated by legislation but operated through non-public sector) • Voluntary private social expenditure (operated through non-public sector but with redistribution across households e.g. through tax reliefs or NGOs) Excluded: exclusively private expenditure	All combinations of: • Public and private finance (i.e. collectively vs individually-financed) • Public and private provision (i.e. whether provider is classified as public sector or not) • Public and private decision (i.e. degree of compulsion and choice)
Activity coverage	• Old age pensions and care	Y in Income Maintenance, and Care
	• Survivors (widows/widowers)	Y in Income Maintenance
	• Incapacity-related benefits and services	Y in Income Maintenance, and Care
	• Health	Y in Health
	• Family incl. child allowances, childcare support, paid leave	Y in Income Maintenance and Education – although not all leave entitlements are captured
	• Active labour market policies	N
	• Unemployment	Y in Income Maintenance
	• Housing allowances and rent subsidies	Y in Housing
	• Other social policy areas e.g. cash benefits to low income households	Y in Income Maintenance
	N	• Education (beyond childcare)
	N	• Housing (beyond allowances and subsidies)
	N	• Physical security
Geographical coverage	OECD countries	England
Time period	1980 to 2018 (varies by country)	1979/80 – 2018/19 (periodic observations)

Source for OECD SOCX: Adema and Fron (2019)

Appendix 2: Classification of main welfare activities

EDUCATION	Public decision	Private decision
Public finance and public provision	• Maintained primary and secondary schools (including school sixth forms) • Academies (pre- and post-16) • Special schools/alternative provision • Further education colleges (16-18) • Support services for teachers and pupils • Miscellaneous educational spending (e.g.museum and library services)	• SEN direct payments • Early years education at maintained settings
Public finance and private provision	• Top up funding to non-maintained and independent providers • Voluntary/non-maintained music and ballet schools (not for 2018-19) • Spending by LAS on free school meals and transport (e.g. for SEN) • Grants to higher education institutions • Grants to further education colleges	• Early years education in the Private, Voluntary and Independent (PVI) sector (free entitlement house only) • Grants for HE and FE students (via Student Loan Company)
Private finance and public provision	N/A	• Academies' self-generated and investment income • Donations to schools from parents (new)
Private finance and private provision	N/A	• Consumer expenditure on education goods and services (pre-school through to tertiary; excludes student loan repayments, driving lessons and recreational training courses) • Student loan repayments (including postgraduate)

HEALTH	Public decision	Private decision
Public finance and public provision	• NHS hospital and community services • Grants to LAs for Public Health England • Research and Development • Supplies and services (clinical) and in-house supplies and services (general – e.g. cleaning, laundry, catering)	N/A
Public finance and private provision	• General and personal dentistry • General practice • Prescriptions and pharmaceutical services • General ophthalmic services • Contracted-out care and purchase of healthcare from non-NHS providers • Outsourced cleaning, laundry and catering • Care of NHS patients in independent hospitals • Voluntary and other providers • One-off payments on hospital PFIs (excludes debt repayment)	• Glasses voucher scheme
Private finance and public provision	• NHS hospital charges (e.g. car parking, bedtime TV and radio, Immigration Health Surcharge)	• Income from private patients within NHS hospitals
Private finance and private provision	• General dental services and prescriptions	• Consumer expenditure on health goods and services (over-the-counter medicines and products, private health services) • Private medical insurance

SOCIAL CARE (Adult Social Care and Children's Services)	Public decision	Private decision
Public finance and public provision	• Adult social care aged 18-64 and 65 and over: o Long-term support (nursing, residential, supported accommodation, community care (e.g. home care and supported living)) o Miscellaneous (commissioning and service delivery, assistive equipment and technology) o Short-term support (for physical, sensory, memory and cognition, learning disability and mental health needs) o Social support (e.g. substance misuse, asylum seekers) • Children's services: o Residential care for Children Looked After o Non-residential care and support (e.g. safeguarding children and young people's services, family support, youth justice)	• Direct payments for adult social care provided by public providers
Public finance and private provision	• Outsourced adult and social care/children's services carried out by private or voluntary providers	• Direct payments for adult social care provided by private or voluntary providers
Private finance and public provision	• User fees and charges for publicly provided adult social care/children's services	N/A
Private finance and private provision	• User fees and charges for privately provided adult social care/children's services	• Spending by individuals and families who pay for their own adult social care

SOCIAL SECURITY AND PENSIONS	Public decision	Private decision
Public finance and public provision	• Government spending on the state pension • All other DWP benefits (excluding housing benefit and discretionary housing payment [see Housing]) • Public spending on the child maintenance system • Child and Working Tax Credits (including reapportioned calculation from Universal Credit for 2018-19)	• Second State Pension (formerly SERPS) contributions (abolished from 2016) • Employer contributions to unfunded occupational pensions
Public finance and private provision	• Government spending on Child Trust Funds (abolished)	• Contracted-out deductions for occupational pensions (abolished in 2012) • Tax relief on occupational and personal pension schemes • Incentive payments and rebates for personal pensions
Private finance and public provision	N/A	• Employee contributions to unfunded occupational pensions • Contributions to Nest pension scheme
Private finance and private provision	• Parents' payments for Child Maintenance	• Employee contributions to unfunded occupational and personal pensions • Individual contributions to Child Trust Funds (abolished) • Contributions to private welfare insurance • Total value of Trussell Trust foodbank parcels

HOUSING	Public decision	Private decision
Public finance and public provision	• Housing benefit payments to tenants in local authority social housing • The size of the economic subsidy in rent for local authority tenants • Public spending on council homelessness services	N/A
Public finance and private provision	• Housing benefit payments to tenants in housing association social housing • The size of the economic subsidy in rent for housing association tenants • Government grants to private homelessness services	• Support for Mortgage Interest • Housing benefit payments to tenants in the private rented sector • Total Right-to-Buy discounts
Private finance and public provision	• Rent payments for local authority social housing • Fees, sales and charges for council homelessness services	N/A
Private finance and private provision	• Rent payments for housing association social housing • Fees, sales and charges for private homelessness services	• Imputed rent from owner occupied housing, and spending on maintenance and repairs • Rent payments in the private rented sector

PHYSICAL SAFETY AND SECURITY	Public decision	Private decision
Public finance and public provision	• Policing • Fire and rescue services • Courts • Prisons • Crown Prosecution Service (CPS) • Asylum services • Maritime and Coastguard Agency	N/A
Public finance and private provision	• Contracted out police, prison, courts and probation services • Police catering, laundry and cleaning services • Council funding for domestic violence refuges • Criminal legal aid	N/A
Private finance and public provision	• Criminal fines • Police income from special policing of events and other sales and charges	• Charges for Disclosure and Barring Service (DBS) checks • Income from the prison industries, retail prison shop income and in-cell TV income
Private finance and private provision	N/A	• Private security guards • Private security goods

Appendix 3: Sources and expenditure breakdowns for 2018/19

This appendix can be viewed online at
https://sticerd.lse.ac.uk/case/_new/research/SPDO/data-charts.asp

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