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Part I

The Politics and Culture of Austerity – Impacts and Resistance
At the Conservative Party conference in October 2018, Theresa May bounced on to the stage to the sound of Abba’s *Dancing Queen* to declare that austerity was ‘over’ (CCHQ, 2018). Putting aside the scepticism of opposition parties over this claim (BBC, 2018), the speech did mark a significant shift, rhetorically at least, for the Conservatives. Speaking in 2009, May’s Conservative predecessor, David Cameron, had argued that ‘the age of austerity demands […] some incredibly tough decisions on taxation, spending, borrowing’ (Cameron, 2009). In practice, ‘tough decisions’ meant deep cuts to public services.

Underlying the rhetoric about ‘austerity’ was an ideological debate around the role and scope of the state. By 2010, the routes that the Conservatives and the Labour Party offered to economic recovery had diverged along increasingly explicit ideological lines. The election of Cameron’s Conservative-led coalition ended New Labour’s ‘reform-and-invest’ approach to public services. Cameron had long been sceptical about the size of the state, and its ability to achieve desirable social ends. Throughout his speeches, the state was portrayed as inefficient, bureaucratic and outdated – although this scepticism was often downplayed through a rhetoric of ‘modernization’ and political centrum while in opposition (Griffiths, 2014). However, it was the economic crisis of 2008 that offered Cameron the opportunity to explicitly challenge the state that had
emerged during the New Labour years. While the Labour leadership had accepted the need for some spending cuts during the party’s final years in power, Cameron blamed Labour’s overspending for the scale of the crisis, arguing that the party had ‘maxed out on our nation’s credit card’ (Lee, 2009, p. 69). He claimed that the high-cost public services of the New Labour years were untenable. On entering office in 2010 his government set out to radically transform the state.

This chapter focuses on the ‘contracting state’ under Cameron, and reviews developments in three major public services since 2010: health, education and welfare, paying attention to the way in which these reforms affect the agency of the people who rely on these services. 

**Austerity in the contracting state**

Public services, such as education or healthcare, are those services generally considered to be so essential to well-being that they are available to all citizens of a state, regardless of their income. They enable or enhance agency, as they allow citizens to realize their potential. In the UK, during the postwar period, public services were generally provided directly by the state and paid for from general taxation. Over the last 40 years, public services have increasingly been contracted out to private sector organizations, which deliver services funded (or co-funded) by the state. This trend has been particularly pronounced during the last decade. Using the rhetoric of austerity, Cameron, and his chancellor George Osborne, created a ‘contracting’ state: one that both contracted in terms of relative size and contracted out many of its activities to
third parties. Although many of these changes had begun a generation before, Cameron’s premiership was marked by the extent of the expansion of the market into areas previously occupied by the state.

The first aspect of the contracting state concerns the reduction of the size of state spending as a proportion of the total economy. This had a direct impact on the capital and revenue available for public services after 2010. Cameron and his government consistently put forward an economic position that criticized the ‘overspending’ of New Labour and focused on the perceived need for austerity. Even before the economic crisis, Cameron characterized the state as corpulent, outdated and inefficient (Griffiths, 2014). However, it was only after the economic crash that the implications Cameron drew from this became clear. In office, Cameron and Osborne set out a hawkish response to the deficit, involving deep cuts to public spending, and consequentially public services. According to the Institute for Fiscal Studies (IFS), the Emergency Budget introduced by Osborne in 2010 would have resulted in ‘the longest, deepest and most sustained period of cuts in public services spending at least since the Second World War’ (Chote, 2010). Two years into office, Osborne would claim: ‘I’m the Chancellor who is cutting the size of Government faster than anyone in modern times. We’re reducing the size of government, from almost 50% of our national income to 40%, in just five years’ (Osborne, 2012).

Writing in 2011, Peter Taylor-Gooby and Gerry Stoker pointed out that, ‘[o]n current projections, public expenditure in the UK appears likely to fall below that in the US by 2014 or 2015. This is simply unprecedented and, if fully implemented, indicates a radical new departure in British policy directions’ (2011, p. 6). In practice, sluggish economic growth over the next few years
meant that the state spending was reduced less than originally planned as a proportion of the overall economy. This reduction was further complicated because some public services – notably, schools, the National Health Service (NHS) and pensions – were protected by the government, fearful of the political backlash that cutting popular public services might cause. This meant that the brunt of the cuts fell on particular areas. Nevertheless, under Cameron state spending as a proportion of the overall economy was still to shrink considerably. In this sense, public services in the UK after 2010 were being reformed against a backdrop of a contracting state.

The second aspect of Cameron’s contracting state came from the form that public services took after 2010: the role of the state was increasingly limited to ‘contracting out’ services to third parties, largely in the private sector, rather than providing them directly. This shift predated Cameron’s leadership of the party. Since the 1980s governments of all colours had begun to move away from the idea that the state should provide services directly. This was accompanied by the practice of ‘contracting’ public services to external organizations wherever feasible – and where it was not, reconstituting existing state institutions to operate within market or quasi-market structures. Third party providers of public services overwhelmingly came from the private sector. The intellectual underpinnings of this idea can be traced back through the Thatcher governments to various neoliberal thinkers. With Cameron, however, it was not just the extent of the cuts to public services, but the radicalism of the pro-market reforms that was unexpected. To Taylor-Gooby and Stoker the ‘reforms also include a far-reaching restructuring of state services involving significant transfers of responsibility from the state to the private sector and to the citizen’ (2011, p. 4). The clearest statement of this trend came with the Coalition’s white paper, Open
Public Services (2011), which took plans to contract out public services further than ever before. Trailing the paper, Cameron argued that public services needed a complete transformation: ‘the grip of state control will be released and power will be placed in people’s hands’. To achieve this:

> public services should be open to a range of providers competing to offer a better service [...] Instead of having to justify why it makes sense to introduce competition in some public services – as we are now doing with schools and in the NHS – the state will have to justify why it should ever operate a monopoly.

>(Cameron, 2011)

The state’s role was increasingly limited to be a contractor of services provided by third parties.

Before reviewing developments in specific public services, it is worth noting that multilayer governance complicates the analysis of changes in the UK. Since 1999, administrative powers over many public services have been devolved to Scotland, Wales or Northern Ireland. (If public service reforms only extended to certain territories within the UK I qualify my comments below). Local authorities are also significant providers of public services, and have been hit particularly hard by austerity. In the UK, they remain hugely dependent on central government for their revenue and spending decisions. This comes in the form of central grants, as well as stipulations on the amount of local tax they can raise and the services they must provide. Indeed, for every pound raised in taxation in the UK, 91 pence is controlled and allocated by central government (Crewe, 2016). As chancellor, Osborne passed down significant responsibilities
for deficit reduction to local government. This meant most local authorities have made huge cuts to local public services, including transport, parks, libraries, public amenities, adult social care, housing services for the vulnerable, and services for young children over the last decade. Some local councils will have lost more than 60 per cent of their revenues between 2010 and 2020. Simon Parker, former Director of the New Local Government Network – a think tank specializing in local government – describes the consequences as ‘perhaps the biggest shift in the role of the British state since 1945’ (quoted in Crewe, 2016). However, while there is much that could be discussed in more detail on the constraining effects of budget cuts on local governments and other public services, this chapter focuses on austerity and the contracting state in three of the largest public services: education, health and welfare.

**Education and austerity**

In December 2010, Michael Gove, the Conservative Secretary of State for Education, wrote that it has become fashionable ‘to refer to the Coalition as a Maoist enterprise. Not so much because the government is inhabiting the wilder shores of the Left, but because of the relentless pace of modernization being pursued across government’ (Gove, 2010). Over the next five years, the Coalition government undertook one of the most radical periods of structural reform to the education system in recent history, driving through a marketizing agenda from the top across significant areas of education policy in England. (Education is a devolved responsibility in the UK, with Scotland, Wales and Northern Ireland operating different systems.) It is the pro-market radicalism of
the reforms to the system of schools and higher education in England that is likely to be one of the most significant legacies of the period after 2010.</p>

It was in higher education in England that marketization went furthest. (Scotland also faced austerity cuts, but the devolved Scottish government implemented them within a different ideological framework, which meant that higher education institutions avoided high tuition fees.) While earlier reforms under New Labour ended ‘free’ university education, coalition policy had radical implications for the way in which higher education is provided in England. The Browne Review – *Securing a sustainable future for higher education: an independent review of higher education funding and student finance* – published its findings in October 2010. Among other things, the review argued that there should be no limit on university fees, with universities subject to a levy on all fees charged above £6,000. The review also argued that a new body, the Higher Education Council, should be responsible for investing in priority courses; enforcing quality standards and improving access; having the power to bail out struggling institutions; and exploring options such as mergers and takeovers if institutions faced financial failure. There was also scope for new providers to enter the system. Browne proposed that students should not have to pay any tuition fees up front, but would begin to pay their loans back (with interest) once their earnings reached £21,000.

By the time the Browne proposals reached parliament in November 2010, certain concessions had been made. In particular, the government put forward an absolute cap on fees of £9,000 per year. In an effort to mitigate criticism that the review would discourage poorer students from applying, the government also proposed that universities charging fees of over £6,000 per year would have
to contribute to a National Scholarships programme and introduced a stricter regime of financial sanctions, encouraging high-charging universities to increase participation. However, despite government assurances that this would lead to price variation in the market, the overwhelming majority of universities chose to charge fees at the top rate. Other proposals, such as the creation of a Higher Education Council to invest in those areas of study deemed to be in the national interest, were sidelined.

This adoption of a ‘Revised Browne Review’ provides an example of a contracting state. It promoted a very different view of students as agents. In theory at least, they were significantly empowered as consumers of a service. Gone was the idea that higher education was a public good, determined by academics, and paid for by the state. In its place was the view that consumer choice, determined by student numbers, would decide which institutions, subjects and modules would survive in a market context (Collini, 2010, p. 23). Universities must now compete for students and, like any other business, can fail if they do not attract these consumers.

Schools were protected from the worst of the cuts, with government pledging to ‘ringfence’ their budgets from the austerity agenda. Yet, as in higher education, the marketizing push has been radical. Schools policy has been dominated by the hollowing out of local authority power, which was passed upwards to the Secretary of State and downwards to academies operating in a quasi-market system. The Academies Act (2010) allowed all state schools in England to gain ‘academy status’. Academies are publicly funded schools that have significant autonomy from the state. Most academies are at secondary level, although there are some at primary level too. In May 2010, Gove wrote to every head teacher
in England to encourage them to apply for academy status; either as academies on their own or as part of a ‘chain’, run by private or charitable organizations. The result was a dramatic rise in the number of academies: by 2018 there were around 7,000 of them, teaching almost half of the pupils in England (NAO, 2018).

These reforms were controversial. Critics of the academy models have, among other things, attacked the freedoms these new schools have from state control and the influence that private and third-sector sponsors exert – described by one teachers’ leader as the ability to teach ‘creationism instead of literacy’ (Sellgren, 2010). For some analysts, the academy programme, with its extensive use of non-state providers to run schools, meant ‘the beginning of the end of state education’ (Ball, 2012, p. 89).

Academies mark a long-term move from a (theoretically) universal service to one in which the school system is shaped by parental choice. To some degree, ‘academization’ is an extension of policies put forward by New Labour or the Conservative’s Grant Maintained Schools of the 1980s, but the scope and radicalism of the Coalition reforms – rolling out a market-based system to all schools – constitutes a step-change from anything that went before. This marketizing approach, with the contraction of state oversight and responsibility, is consistent with the radical reform of higher education undertaken during the same period.

Market-based reforms under the Cameron administration have fundamentally changed education in England. They assume a very different view of pupils (and their parents) and students, who are now seen to act as ‘consumers’ of education. According to this understanding of agency, students are expected to
make choices about education, with reduced state oversight supposedly allowing for greater diversity and experimentation between academy chains or universities. These increasingly ‘privatized’ bodies providing education must, in turn, compete for the custom of those who use them. 

**Health and austerity**

The Coalition agreement between the Conservatives and Liberal Democrats in May 2010 pledged to ‘stop the top–down reorganizations of the NHS’. Yet, within just a few months, Andrew Lansley, then Secretary of State for Health, began a process of radical reform to the organization. These reforms were set out in the *Equity and Excellence* white paper (DH, 2010), subtitled ‘Liberating the NHS’. There is no further mention of this latter phrase, but the implication was that the NHS had to be liberated from state control to reach its full potential. The white paper applied only to the NHS in England, as the devolved administrations in Scotland, Wales and Northern Ireland are responsible for developing their own health policies. Curiously, given the centrality of “austerity” to the 2010–16 government’s political programme, there is no mention of the term in the white paper. This is perhaps due to the commitment to ring-fence NHS funding and the risks of justifying such fundamental reforms to a popular institution as part of a ‘cutting’ agenda. However, after 2010, the Conservative-led government set about radically transforming the NHS on the basis of ‘cutting-costs’ of bureaucracy and the inefficiencies of monopolistic state provision.
Equity and Excellence set out radical plans to give patients in England ‘choice of any provider, choice of consultant-led team, choice of GP practice and choice of treatment’ (DH, 2010, p. 3). The governance structure of the NHS after these reforms, set out in the resulting Health and Social Care Bill, was hugely complex. Key elements saw groups of General Practitioners – organized into Clinical Commissioning Groups – acting as commissioners of health services. The 150 or so Primary Care Trusts and ten Strategic Health Authorities which previously had commissioning roles were abolished. At the same time – in a move that mimicked the academy school programme to some degree – all hospitals in England were compelled to become foundation trusts. These institutions were largely autonomous from central government and gained new freedoms, including the freedom to generate up to 49 per cent of their income from private patients (a huge increase on the average incomes generated from private practice before 2012). They also operated under a new regulatory structure, with foundation hospitals operating like businesses competing for patients.

The reforms were described in the medical journal, The Lancet, as ‘the biggest changes in the National Health Service (NHS) in England since the service began in 1948’ (Whitehead et al, 2010, p. 1373), and led to a range of criticisms. Concerns included the ability of new Clinical Commissioning Groups to determine whether particular procedures should be funded. They also included provision for new charging powers for services previously provided free through the NHS. The reforms also abolished the duty of Primary Care Trusts to secure health services for everyone living in a defined geographical area. This led to fears that vulnerable citizens could be excluded. Finally, reforms gave hospitals the right to carry out extensive private care. In short, although the reforms theoretically
provided greater flexibility in patients’ choice of providers and greater agency over their treatments, there were concerns that wealthier, better informed patients would gain greater agency over more vulnerable patients.

To Lansley and his colleagues, the financial pressures on the NHS justified this wholesale reform. However, writing in *The Lancet* on the blueprint that led to the changes, Margaret Whitehead and her colleagues argued that:

> the white paper’s proposals are ideological with little evidential foundation. They represent a decisive step towards privatization that risks undermining the fundamental equity and efficiency objectives of the NHS. Rather than ‘liberating the NHS’, these proposals seem to be an exercise in liberating the NHS’ £100 billion budget to commercial enterprises.

(2010, p. 1373)

As with the education reforms in England discussed above, these changes demonstrated the lack of faith in the central state to directly plan for the public good – a contraction of the scope of its previous responsibilities.

**Welfare under austerity**

While health and schools’ policy were sheltered, to some degree, from the full effects of austerity, public services related to welfare were not. Welfare reform since 2010 involved radical structural changes combined with deep, UK-wide spending cuts. There are areas of welfare policy that are not discussed here – notably the reform of pensions under the Liberal Democrat minister, Steve Webb – which proceeded relatively smoothly. However, the most controversial
shifts came under four headings: deep cuts to the working-age welfare budget; the amalgamation of all of Labour’s welfare-to-work schemes for the unemployed into one ‘Work Programme’; the use of Work Capability Tests and increased benefit sanctions for claimants; and the introduction of Universal Credit to replace six of the largest working-age benefits. Because devolution of welfare began later with the Scotland Act of 2016, these reforms took place on the UK basis. The reforms largely fit the notion of a contracting state, particularly when they contained the fingerprints of the Chancellor, George Osborne, whose focus was on radically reducing welfare expenditure. This set up frequent clashes with the Secretary of State for Work and Pensions, Iain Duncan Smith, whose focus was increasingly on radical reforms as a solution to entrenched deprivation.

The Coalition introduced various welfare cuts in the name of austerity. These included the withdrawal of the spare room subsidy for working-age Housing Benefit claimants deemed to be underusing their home (a policy dubbed the ‘Bedroom Tax’ by critics); a £500 a week benefit cap for couples; a seven-day waiting period for new benefit claims; the restriction of (non-pensioner) benefits to increases of 1 per cent per year from 2013 to 2016 and an absolute freeze from 2016. Changes to the inflation measure used to upgrade benefits also saved money in the long run. In an effort to demonstrate the ‘fairness’ of their reforms, the Coalition also pointed to the withdrawal of Child Benefit for households containing a higher tax payer. However, it is clear that the bulk of these changes hit the poorest hardest (see chapters by Grasso and Montgomery, Guderjan and Wilding, McKenzie, and Morelli). Spending on welfare benefits for the UK’s poorest families had shrunk by nearly a quarter after nearly a decade of austerity. It is estimated that £37bn less will be spent on working-age social
security by 2021, compared with 2010, despite rising prices and living costs (Butler, 2018). In all, the cuts to welfare spending as a proportion of the size of the economy represent a significant contraction of the state’s role in this area.

The amalgamation of all Labour’s welfare-to-work schemes for the unemployed into one Work Programme, was meant to provide a more efficient way of supporting those in long-term unemployment back into work. This support was contracted out to mostly large, private sector organizations, known as ‘prime contractors’, on a ‘payment-by-results’ basis. Higher payments were made for successes in getting individuals who needed more support, such as those claiming health-related out-of-work benefits, into the workplace. However, the scheme was criticized for getting far fewer people back into the workplace than the Department for Work and Pensions (DWP) and the contractors had estimated (Page, 2015). As private providers missed their contractual targets, the payment by results model meant that they then received less money to provide the service, creating a vicious cycle of underperformance and taking even more money out of frontline services.

The use of Work Capability Tests for those receiving health-related out-of-work benefits and ‘sanctions’ for benefit claimants also significantly increased under the Coalition. This reflected a dispute about the agency and motives of claimants. Underlying the government’s reforms was an assumption that many claimants had the capacity to work but not the willingness. There was therefore a rise in the use of financial sanctions for welfare claimants deemed to have failed to meet certain conditions – such as arriving late for a meeting with a Jobcentre adviser. Adults claiming out-of-work benefits due to disability or a long-term health condition were also required to undergo a Work Capability Test
to determine whether they were able to work, and what support would be required. The test itself dated from New Labour’s Welfare Reform Act (2007), but its conditions became harsher with the austerity cuts. The administration of the Work Capability Test was also contracted to private companies. Critics noted the impersonal and mechanistic approach of assessors, the lack of transparency over the decision-making process and its complexity (Page, 2015). There were a large number of appeals related to the Test, with around three fifths of formal appeals against the assessment decision being successful (DWP, 2016, p. 9). Atos Healthcare, one of the largest private companies carrying out the assessments eventually withdrew from the role following negative publicity and criticism by DWP officials.

One of the Coalition’s most controversial policies was the introduction of Universal Credit. The project was the brainchild of the former leader of the Conservative Party, Iain Duncan Smith, who was given the role of Secretary of State for Work and Pensions. After undergoing something of an ‘epiphany’ on poverty, he championed the idea of Universal Credit with almost evangelical zeal. The new benefit was designed to bring together a variety of existing benefits for working-age people – such as working tax credit, child tax credit, income support and housing benefit – under one programme. Before 2010, it had a degree of cross-party support as a way of simplifying a complex system of different welfare benefits, supposedly offering claimants greater control and agency in bringing all support into a single monthly payment. However, the implementation of the reforms was deeply problematic. Concerns were raised about the online application process, with many claimants lacking the technological skills or internet access to apply. The switch to paying benefit monthly and in arrears (following the standard practice for professional salaried
positions) also caused budgetary problems for many claimants used to weekly wages or fortnightly benefit payments. The removal of the option for rent to be paid directly to landlords led to an increased risk of eviction. The programme also became bogged down by wider welfare cuts introduced by the Coalition, with Duncan Smith forced by the Chancellor to agree to cuts to Universal Credit in order to cover the costs for its implementation. This meant that a major purported benefit of the new programme was lost, as the level Universal Credit was set at failed to lift many claimants out of poverty (Hirsch and Hartfree, 2013).

Social security, as a share of national income, is projected to fall from 12.5 per cent in 2009–10 to 9.8 per cent by 2020–21 (IFS, 2015). The state’s involvement has literally contracted in size relative to the overall economy and has retreated in terms of contracting services out, largely to private providers. For many welfare claimants, or former welfare claimants now struggling without state support, the promises made of a more efficient, effective benefit system, offering them greater agency and control, have failed to materialize. </TXT>

<Conclusion</A>

<NP> If the construction of a contracting state was the aim, then Cameron was certainly successful: austerity provided the opportunity for a radical reconstruction of the state and public services in the UK after 2010. In November 2018, a politically controversial report on the effects of austerity in the UK was produced by Philip Alston, the United Nations’ rapporteur on extreme poverty and human rights. Alston argued that austerity and its consequences
were a ‘political choice’, rather than a fiscal necessity (Alston, 2018, p. 22). It was austerity that provided the opportunity for a transformation of the state and public services in the UK, particularly in England. It allowed key players, particularly Cameron and Osborne, to create a contracting state, which would both contract out services and which literally contracted in relative size. </NP>

The decision to contract state spending as a proportion of the economy draws on a very different conception of agency to that which characterised the New Labour years. Under the Coalition, in those areas where the state withdrew - through the abolition of certain types of welfare payments for example - citizens were increasingly expected to support themselves. To many Conservatives, overreliance on the state caused dependency, rather than increasing agency. To Cameron’s critics, the withdrawal of the state limited agency through forcing citizens into poverty.

Contracting out public services to other providers also had implications for the agency of citizens. Where public services had been contracted out under monopoly conditions, such as the provision of Work Capability Tests, incentives were often set for private providers to focus on reducing benefit spending, rather than claimant needs. This resulted in many vulnerable claimants being deemed ‘fit for work’, denying them additional support for living costs and reducing their agency rather than increasing it.

Where citizens faced a choice of third-party providers of public services, or public providers competing under quasi-market conditions, they were increasingly treated as consumers of services, and granted choices over provider – deciding which foundation hospital or school is best for them or their families, for example. In this sense, the agency needed to choose between public services
increasingly aped other market choices. Critics noted that some citizens – who had more social or financial capital, for example - were better able to meet the expectations implicit in this of this conception of agency than others.

Comparing Cameron’s radicalism with that of his Conservative predecessor, Margaret Thatcher, Eric Pickles, the former Conservative Party Chairman, is said to have claimed that, ‘I think we have probably achieved more in the first term, [than] the blessed Margaret did in hers …’ (Guido Fawkes, 2014). Thatcher had set about to ‘roll back the frontiers of the state’ in the 1980s through a programme of privatization and free market economics. Cameron went further than Thatcher ever could. Austerity provided the opportunity for the creation of the contracting state.

References


