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As part of an ongoing program on public philosophy titled "Toward a New Public Philosophy: A Global Reevaluation of Democracy at Century's End," the Carnegie Council on Ethics and International Affairs has initiated a workshop series to address current conceptions of democracy around the world. Approaching democratic theory and practice through the lens of ethics, the Carnegie Council has begun to map the values intrinsic to public policy making. In part, the project is driven by the disparity in public policy practices across democracies. While many states have formally claimed to be democratic, ethical norms clearly vary across societies, creating a wide spectrum of democracies in the world today.

This monograph is a reworked and updated version of a paper presented at the October 1997 workshop "What Do You Deserve? Public Philosophy, Welfare, and Changing Social Contracts." This particular workshop aimed to assess social welfare policy in the light of trends toward integration in global markets. It concentrated on the influence of globalization on the social contract in a number of democracies, including those in the developing world, states in transition, and the postindustrial welfare state. Above all, it asked the question: What are the differences in the social contract across democratic states? How are these contracts formulated and what are the political, economic, and social factors that cause them to change? Further, who should benefit from social welfare policies?

The workshop took up case studies of public philosophy in the United States, Hungary, Japan, Germany, the United Kingdom, and Chile. Specifically, it examined the philosophies behind welfare policy in each society, given the recent climate of cutbacks. Particular emphasis was given to the question of whether a dominant paradigm for public philosophy could be discerned, and to what extent it might be "Western" in nature. In many cases, there was a theoretical conflict between community solidarity and individual choice as the appropriate models for public philosophy. The workshop also addressed the role of culture in the formulation of public philosophy and the extent to which public philosophy is deliberative and/or reflects elements of participatory democracy. In addition, it evaluated the volatility of public philosophy in transitional democracies.

The social welfare workshop was the second in the Carnegie Council's public philosophy program. The first workshop analyzed and compared the models of public philosophy in Western and Asian states. The goal of the public philosophy program is to develop a more nuanced understanding of the normative values underlying public policies as they relate to a globalized world.

The following papers from the Carnegie Council series on public philosophy are available as individual monographs:

- No. 1 "Historical Perspectives on Public Philosophy in Modern China," by Peter Zarrow, University of New South Wales
- No. 2 "An American Public Philosophy for the Twenty-First Century: The Theory and Practice of Liberal Community," by William Galston, University of Maryland
- No. 3 "Chile's Innovations in Social Welfare: Principles and Policies," by Verónica Montecinos, Pennsylvania State University
- No. 4 "Community, Contract, and the Death of Social Citizenship," by Hugh Hecló, George Mason University
- No. 5 "Social Policy in the UK: Creating a New Social Contract," by Howard Glennerster, London School of Economics and Political Science
- No. 6 "Is There a Public Philosophy in Central-Eastern Europe? Equity of Distribution 'Then' and 'Now'," by Zsuzsa Ferge, Eötvös Loránd University

The workshop paper "More Than Anyone Bargained For: Beyond the Welfare Contract," by Robert E. Goodin, appeared in *Ethics & International Affairs*, Vol. 12 (1998), pp. 141-58.

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tract—but who was it between and on what basis was it agreed? What were the break clauses? What duties and obligations matched what rights? Was it a disputed contract or a consensual one?

To left-leaning social historians the settlement was clearly between capital and labor.³ Trade union power had grown throughout the century. The very survival of the state during World War II had depended on the cooperation of organized labor in the total war effort. The election of a Labour government after the war with a massive majority required capital to compromise. The form this compromise took was for Labour, at least temporarily, to forego its goal of a complete socialist society, while capital agreed to permit a welfare state to be funded and a promise of full employment to be granted. There was no morality here, merely two historical forces pitted against one another that had reached a draw and agreed on an out-of-court settlement.

Some saw the war in different and more moralistic terms. It had quickened and deepened a national sense of altruism, of obligation to the less fortunate.⁴ People faced a common danger and drew together in the face of it. In this climate the Archbishop of York and later of Canterbury, Archbishop Temple, was able to appeal to fundamental Christian values in support of a full program of social reform that gained a wide readership and considerable influence.⁵ Here the contract was between a responsible state and its citizens, and between the more fortunate and the less. Temple linked hard pro-

posals for legislation to a tradition of Christian teaching dating back to St. Thomas Aquinas. He quotes Aquinas with approval when he argues that while private property was essential to good order and private freedom, it carried with it a duty to ensure that all in need were adequately provided for (*Summa Theologica* 2-2, Q 66 Ans 2+7). It was only after this duty had been performed that the individual had a right to the fruits of his property or labor. This was not some passing odd reference to poverty and property by a medieval scholar. Debates about individuals' and communities' duties to the poor were vigorously debated in the Middle Ages, and Temple was drawing on this tradition.⁶

To other observers the contract had been struck in the early years of the war when, in order to survive, the state had needed the whole population, exposed as it was to enemy bombing, to participate fully in the war effort and had required full mobilization, either in the armed forces or the munitions factories. The official economic historians of the period put it thus:

There existed, so to speak, an implicit contract between government and people; the people refused none of the sacrifices that the government demanded from them for the winning of the war. In return they expected that the government should show imagination and seriousness in the restoration and improvement of the nation's well being when the war had been won.⁷

³ Paul Addison, *The Road to 1945: British Politics and the Second World War* (London: Cape, 1975).

⁴ Richard M. Titmuss, *The Problems of Social Policy* (London: HMSO, 1950).

⁵ William Temple, *Christianity and Social Order* (Harmondsworth: Penguin Books, 1942).

⁶ Janet Coleman, "Property and Poverty," in J.H. Burns, *The Cambridge History of Medieval Thought* (Cambridge: Cambridge University Press, 1983).

⁷ William K. Hancock and Margaret Gowing, *British War Economy* (London: HMSO, 1949), 541.

⁸ Thomas H. Marshall, *Citizenship and Social Class* (Cambridge: Cambridge University Press, 1950).

tive background to our political discourse and pursuits.”¹¹ What is notable about this period in British history is that there was not merely a sequence of remarkable social legislation, but that it grew out of and provoked an open debate about public philosophy. The striking change this involved can be best understood by contrasting it with the nineteenth- and early twentieth-century equivalent. This has been succinctly summarized by Jose Harris as:

...a widely diffused popular political philosophy, often ignored by historians ...but which constituted one of the most enduring and powerful facts in the life of English society. Because of its very diffuseness this popular philosophy is not easy to define. In contradistinction to much continental political thought, it saw “civil society” (business, culture, leisure, family life, religion) as the highest sphere of human existence.... The “state,” by contrast, was an institution of secondary importance and dubious linguistic status, Englishmen generally preferred the concept “government.”¹²

Growing intervention by government is discernable from the 1870s on, and indeed before, but it was always justified as an exception to a general rule. The explicit shift in the public’s perception of the state’s role owes much to World War II, which was fought and won by a successful state machine. But it is also due to the deep disillusion with capitalism produced by the long depression of the 1920s and 1930s—longer than that which affected the United States and more profound in the way it affected the worldview that intellectuals held. Beveridge’s own intellectual pilgrimage is symptomatic.

No one viewing the coming century in 1900

would have been able to forecast what was at first a gradual, then with World War II became a decisive, shift to a powerful centralized welfare state. What is interesting is the extent to which the Victorian tradition of voluntary societies, trade unions, sick clubs, and churches as the key agencies in this endeavor so comprehensively disappeared. This was not Beveridge’s intention—far from it. Nor did this happen in Continental Europe. The reason for this is a comparative story that has yet to be convincingly told. It is at least in part a story of the failure of the voluntary sector in the United Kingdom. Before World War I not-for-profit housing associations were the main providers of housing for the poor. After World War I large numbers of new houses were required and the state offered money to public and private agencies alike to build, but the housing associations did not respond. Local government became the main provider. Given that history, following World War II local government seemed the only agency capable of performing the huge new task of rehousing the poor.

Churches had, at the turn of the century, been the main providers of schooling, using public funds to meet most current expenditures. The results of their failure to provide the capital to expand the system were a growth in capital subsidies from the state, and the churches’ effective incorporation into a national system of state education in 1944. Free education, by the state, steadily crowded out private education, which declined in importance steadily through the century.

Similarly, the national health insurance scheme for the working class that was developed after 1911 was administered by large numbers of private approved societies—the equivalent of the sick clubs that still organize the finance of health care in Germany. Yet these, too, lost the confidence of the working class

¹² Jose Harris, *Private Lives Public Spirit* (Oxford: Clarendon Press, 1993).

the previous Conservative one. In a carefully planned operation, Prime Minister Margaret Thatcher's Conservative government decided to take on the elite corps of the organized working class—the coal miners. Changes in the world economy helped and so did modern technology. Ultimately the UK could do without British coal. A whole series of other factors helped the government, including the miners' own leadership. But essentially the whole power of the state was thrown behind the effort to defeat the miners and with them organized labor. This was not consensus but a physical battle between miners and police, between masses of men hurling rocks, petrol, and abuse, met by a nationally amassed and thousands-strong army of police with horses and batons. This confrontation lasted longer than a year, and the scars remain to this day in those mining villages. The miners' defeat was followed by legislation limiting trade union powers. In an economy so largely dependent on world trade, Britain, more than the U.S. or Continental Europe, was hit hard by globalization; this was especially true of organized manual labor. So, if we see the postwar social contract as between capital and labor, power had shifted decisively toward capital.

Yet simply to see the current attempts to change the welfare state as part of the triumph of global capitalism is too simplistic, and, in many ways, just plain wrong. Support for many parts of the welfare state remain rock solid. No politician dare touch them still. Parts of the welfare state lost support not because of Mrs. Thatcher's victory over the unions but for reasons intrinsic to their own performance. Others suffered from the fundamental shifts in the distribution of income that were putting more and more strain on the institutions of the welfare

state. In short, to see the postwar "contract" as a single entity is misleading. To understand the basis for the new one we need to follow the story of four very different kinds of contract.

FOUR CONTRACTUAL HISTORIES

The Beveridge Promise Broken

Internationally, the British welfare state is associated with the name of Sir William Beveridge, author of what is probably the most famous United Kingdom Government report of the twentieth century.¹⁷ It was a powerful document promising to slay the dragons of poverty, squalor, and disease with the help of a universal system of social insurance. In practice, the report's logic was fatally flawed and never fully implemented.¹⁸

The contractual ideal that was embodied in the 1942 report, and pledged to by the postwar Labour government, was to secure for all elderly people a basic state pension that would meet their minimum requirements for a decent life. It would be financed on a pay-as-you-go basis, mainly out of current worker and employer contributions but with a significant tax subsidy. This promise was never fulfilled. This basic pension was originally set below the national poverty line—the minimum income at which means-tested public assistance could be gained—and was never raised above it. In the 1950s the Conservative government abandoned any pretense that the pension would ever reach even that minimum subsistence level. The scheme was to be financed by a flat-rate contribution in which the lowest-paid worker had to contribute the same as the richest. That put a low limit on what could be raised in contributions and, hence, paid out in pensions.

¹⁷ *Social Insurance and Allied Services*, Cmd. 6404 (London: HMSO, 1942).

¹⁸ Rodney Lowe, "The Rejection of Beveridge in Britain," in John Hills, John Ditch, and Howard Glennerster, eds., *Beveridge and Social Security: An International Retrospective* (Oxford: Clarendon Press, 1994); and Howard Glennerster, *British Social Policy Since 1945* (Oxford: Blackwell, 1995).

who could take out private contracts, betting on the capacity of the stock market and insurance companies to do a better job for them than the state had. This left those who could not afford private insurance dependent on a low and increasingly means-tested form of income support in which the “median” voter was not that interested. The difference with the U.S. history, where social security has delivered pensions valued by middle Americans, is instructive. In the UK the state had delivered a product so poor that for the average middle-class voter it was scarcely worth defending. The powerful interests that had stood in the way of pension reform were those of the private insurance industry and, in the 1950s and 1960s, the trade unions that had negotiated occupational deals for their members and did not want a comprehensive state scheme to undermine them, regardless of the consequences for those that were not so covered. This was precisely the combination of interests that killed the Clinton attempts at health reform. The British history of health care reform is, however, the mirror image of the social security story.

Health Care: Jewel in the Crown

Paradoxically, though the Beveridge Report was given a wide degree of support, the postwar government’s proposals for the new National Health Service (NHS) were very controversial, opposed by the Conservative Party and bitterly protested by the British Medical Association. But the electorate at large strongly favored a universal health service.²⁰ Health care, free at the point of delivery to all citizens, financed out of general taxation, and equally available to those in equal need wherever they lived in the United Kingdom—these were the ideals and the

promises given in the 1946 parliamentary debates that preceded the creation of the modern National Health Service. Though controversial at its inception, the NHS rapidly gained and kept public support. The basic principles have remained unchanged for 50 years, to be reiterated by none other than Mrs. Thatcher when presenting her own reform proposals in 1989.²¹ The principle that health care should be allocated on the basis of need and not on the basis of market power is now deeply ingrained in the British set of social values, more so than in most other countries.²² The complex statistical formula that determines how much each area in the UK shall have to spend on health care has been revised incrementally from the mid-1970s to more closely match health spending to each area’s health needs. I recently interviewed senior health officials, asking them to spell out their underlying philosophy. All expressed their aims almost word for word in terms used by Bevan in 1946. They were clearly puzzled that I should ask.

Even so, parts of the NHS, such as optometry and dentistry, have been effectively privatized. Dentists and opticians were always private practitioners, but the state paid for their services under the 1948 scheme. Little by little individuals were expected to pay for more of their own eye and dental care. Now the state pays only for treatment of the poor and children. Pharmaceuticals prescribed by family doctors carry a substantial charge, £5.50 per item in 1996/97, but only 15 percent of all users actually pay, as most patients fall into the excluded categories—old, young, poor, or chronically sick.

Yet the core hospital and family-doctor ser-

²⁰ Charles Webster, *The Health Services Since the Second World War*, Vol. 1 (London: HMSO, 1988).

²¹ *Working for Patients*, Cm. 555 (London: HMSO, 1989).

²² Roger Jowell, S. Witherspoon, and L. Brook, *British Social Attitudes: Special International Report* (Aldershot: Gower, 1989). Later results on British social attitudes alone show no significant change, and indeed, a growth in support for the view that it is the state’s job to look after the sick.

Labour government has swallowed its initial objections and built upon the most effective parts of its predecessor's reforms. Because the NHS has succeeded in serving the median voter well, the contract and the basic consensus has held.

Full Employment

The wartime promise of full employment for all when peace came illustrates a different kind of broken contract. Here it is not so much government as economists and the institutions of civil society that are to blame for not upholding the bargain.

Perhaps the most explicit and most important revocation of the postwar social contract was when the Labour government publicly tore up the wartime Coalition government's promise that postwar governments would sustain a "high and stable level of employment."²⁶ The case that the contract was not deliverable was explicitly and brutally stated not by Mrs. Thatcher, but by a Labour prime minister in 1976:

We used to think that you could spend your way out of recession and increase employment by cutting taxes and boosting government spending. I tell you in all candor that option no longer exists, in so far as it ever did exist, it only worked on each occasion since the war by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment as the next step.²⁷

Beveridge had included full employment as one of the key assumptions in his report and

made it clear later how central he saw it to be in sustaining a democratic society.²⁸ The fact that full employment was largely achieved over the next 30 years probably did more than any other element in the "contract" to change the lives of ordinary people. But in a farsighted caveat (para 49), the 1944 Beveridge Report noted that if employers and unions used their consequent power to pass on high and rising wage costs in prices beyond those justified by rising productivity, the policy would fail, and so it proved. Several failed attempts were made at what the Swedes and later the Dutch were able to do successfully. British trade unions and employers' organizations' failure to agree to moderate wages and profits led to a successive rise in inflation, higher at the bottom of each recession than the one before.

The economic crisis of 1976 forced the Labour government of the day to explicitly abandon the pledge of full employment. In his speech to the Labour Party Conference in 1976, Prime Minister James Callaghan made it clear that the battle against inflation had to take precedence and, more fundamentally, that governments were powerless to affect the long-run rate of employment through demand management. There could hardly have been a more explicit statement of public philosophy. Under Mrs. Thatcher's government the policy was taken to its logical conclusion when deflationary budgetary and monetary measures were imposed during a depression. Unemployment rose from 3 percent in 1976, then an historically high figure, to 12 percent in 1981/82, or at least 15 percent if measured, as is done in the United States, by those seeking work rather than by those drawing benefits. This policy did, indeed, succeed in

²⁶ *Employment Policy*, Cmd. 6527 (London: HMSO, 1944).

²⁷ *Labour Party Conference Report 1976* (London: Labour Party, 1976).

²⁸ William Beveridge, *Full Employment in a Free Society* (London: Allen and Unwin, 1944).

²⁹ Jans Visser, *The Dutch Miracle* (Amsterdam: Amsterdam University Press, 1997).

more than six months will have to take the jobs offered, or in some cases of proven educational deficiency, to take a course of study. If they do not, they lose their benefits. The same will be true of those of any age who are unemployed for longer than two years; employers will be subsidized to employ such people. These new welfare-to-work measures come on top of a range of initiatives begun by the last government.³² On the positive side, the March 1998 budget introduced a working families' tax credit, which replaced a previous in-work benefit for working families. It is more generous, phases out over a longer income span, and is accompanied by a generous child care tax credit that will offset up to 70 percent of child care costs. Clearly there are strong similarities with the recent approach to welfare reform in the United States, with the exception of the subsidies to employers. Further, the national state reserve employment scheme is more reminiscent of certain programs of the Franklin D. Roosevelt period. In its attempts to operate on the supply side of the labor market, the UK is now much nearer to the United States in employment strategy than to countries on the continent of Europe. The kinds of policies advocated by Claus Offe in the workshop (reducing working hours, giving all workers sabbatical leave), for example, would be seen as wholly perverse, increasing the costs of labor and hence adding to unemployment rather than helping to solve it.

With unemployment at 5.1 percent and year-by-year inflation at 3.7 percent (as of December 1997), this micro-level employment and labor market policy must be seen as a partial success, at the very least. There is a darker side, however. People feel less secure in their jobs. Older men have seen their jobs disappear, and few re-enter the labor market. Many jobs

are part-time and many are low paid.

Overall, however, this story illustrates the difficulty of apportioning blame in anything so complex as a modern globally dependent economy or of stretching the analogy of a social contract too far. The 1944 Beveridge Report had the elements of a social contract about it, but it contained a qualifying clause: Unless civil society found a way to restrain the temptation to seek sectional gains from a policy of full employment, the contract was off. It was.

Single Parents, Morality, and the State

The complex story of governments' confused attitudes toward single parents also has lessons. Without agreement about what values should underlie public policy, lasting legislation, let alone a private or a public contract, is not possible. This issue has blown apart what otherwise had been a remarkably successful initial phase for the new Labour government.

The issue of the state's responsibility for the children of single parents has always been a moral maze.³³ From the 1834 Poor Law on, widows have been in a class of their own. A widow has not caused her change of status. In many cases she entered the labor market but often she could not, especially if she had small children. The Poor Law was prepared to give outdoor relief in such cases; this was followed by widows' pensions in the 1920s. Other single parents were deemed in some way at fault—the divorced, the separated, and the unmarried, the last always the smallest group. Governments feared moral hazard problems of one kind or another—collusion, couples who were not really separated, or partners agreeing to a private settlement in the expectation that the state would pay if the husband's settlement was minimal. Governments have always feared that giving help to such parents would encourage more

³³ The best account on which what follows draws is J. Lewis, *The Problem of Lone Mother Families in Twentieth Century Britain*, Welfare State Programme Discussion Paper No. 114 (London: London School of Economics, 1995).

state, the Child Support Agency. This policy was legislated in 1991 and has been operative since 1993. At the time these principles gained wide support, but the agency managed to be both more unpopular than any other arm of government and unsuccessful in raising revenue.

It provoked the ire of middle-class men who found themselves retrospectively liable to the state for maintenance despite having made private settlements with their ex-wives. But because many were now bringing up new families, they were deemed to have too few resources to pay much, and the revenue was consequently low. Women resented being forced to divulge who their lovers or ex-partners were. Often relationships had broken or such information might provoke a violent response. The retrospective element aroused the greatest ire, and legislation to repeal that feature of the scheme was passed just before the election; however, the other elements remain a minefield.

At one extreme, if we are serious about a natural father's lifetime responsibility for all the children he produces, it makes no sense to limit that responsibility if he sets up another family. Logically we should require the father's name with genetic proof, and then attach a lifetime payment responsibility to him via a supplement to his social security number. He would then be liable to pay the state for its support of his child when he became able to do so, making him liable over the course of his lifetime to repay the costs to the state. Yet to many this is an unwarranted intrusion into private life. At another extreme, to others the state has no responsibility for these children; they consider that taking a stern line will change human behavior. To still others women have a right to have children and the state should be prepared to support the child, at least for the early years of its life. Getting an agreed set of principles out of this cauldron seems, as yet, premature.

The previous Conservative government was deeply divided. Some wanted to require single mothers to work, while many others found this abhorrent. A strong theme in Conservative Family Policy from the 1980s on had been a concern to get women to return to their traditional role as mothers. To require some mothers to leave their children and return to work while trying to do the reverse for the generality of mothers sent confusing messages.

The new Labour government is similarly in a value mess about the issue. It wants to reduce the social security budget so as to spend more on education and health care, which are its top priority. It is also more favorable to requiring or encouraging mothers to work. To the old socialist view that labor bestows dignity and respect is added a feminist view that women should have an independent form of income and not be dependent on the state. What these mothers need is day care—a very rare commodity in the UK, where working mothers rely on grandparents and pay other mothers for child care. Many single parents are not in a position to pay for child care and have no handy grandparents. So how far can government go in requiring that mothers work? Should it be tougher on single mothers? Would that be in the best interests of the children? Do women have a right to bring up their children as they wish? Should working mothers with spouses pay taxes to support their sisters' right not to work? The new Labour government has not yet formulated its long-term policy, but it has already run into a major revolt from some of its most loyal supporters.

The Conservative government had, before leaving office, passed legislation abolishing the additional child benefit that single parents received, reducing it to the same level that all mothers receive. The argument was against giving single mothers preferential treatment. The Labour Party said during the election that it would not increase the budget of any gov-

earnings, regardless of where that left the family in terms of poverty. The fact that this situation has changed and a significant number of families are now no better off in work did not come about because of massive generosity by a Socialist or Liberal government, but arose directly from policies pursued by the last Conservative government. Determined to reduce public spending, it abolished universal public housing subsidies and introduced a whole range of income-related benefits. When these are withdrawn as a person enters the labor market or earns more, the effective tax rate approaches 100 percent. Realizing too late what it had done, the Conservative government found it very difficult to backpedal from the situation.³⁸

Once again, it is not the poor who are to blame but those who did not think carefully enough about their policy design. Righting the problem will not be easy. It has been made worse by the relative decline in incomes at the bottom of the income distribution.³⁹ Driving

benefits down below the lowest incomes in the marketplace is not going to be acceptable, as the new government has found. Reverting to generous universal benefits is not politically acceptable either, given its tax consequences. This is why the Labour government has been looking closely at the U.S. experience with earned-income tax credits and at ways to increase child benefits, perhaps by concentrating them on younger families and taxing them away at higher incomes. As is so often the case, the devil will be in the details. You cannot expect socially responsible behavior if you provide incentives to do the opposite, as the first minister in charge of welfare reform stressed in much of his writing.⁴⁰ Getting those incentives right and balancing them with humanity will be no easy task.

Finally, we saw that much of the UK's welfare system has already been turned over to private contracts, most notably provision for old age. Health care and schooling remain part of the old postwar social contract. Risks are

LABOUR'S NEW CONTRACT	
After nine months of discussion the Minister for Welfare Reform, Frank Field, introduced a government paper for discussion titled "A New Contract for Welfare." It included a list of duties for government and individuals encapsulating the changed emphasis we see on both sides of the Atlantic.	
DUTIES OF GOVERNMENT	DUTIES OF THE INDIVIDUAL
Help people find work	Seek training
Make work pay	Take up opportunities
Support those unable to work	Sustain work
Assist parents with the costs of bringing up children	Support your own children
Regulate the pensions market effectively	Save for your own retirement
Relieve poverty	Do not defraud the taxpayer
Get money to those in need	

³⁹ John Hills, ed., *New Inequalities* (Cambridge: Cambridge University Press, 1996).

⁴⁰ Frank Field, *Making Welfare Work: Reconstructing Welfare for the Millennium* (London: Institute of Community Studies, 1995).