

# The Role of Redistribution in Social Policy

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IN THE literature of the West, concepts and models of social policy are as diverse as contemporary concepts of poverty. Historically, the two have indeed had much in common. They certainly share diversity. There are today those at one end of the political spectrum who see social policy as a transitory minimum activity of minimum government for a minimum number of poor people; as a form of social control for minority groups in a "natural" society; as a way of resolving the conflict between the religious ethic of compassion and undiluted individualism. In this view social policy is not good business. Statistical estimates of the national income per capita look healthier if the infant mortality rate rises. At the other end of the political spectrum there are writers like Macbeath who has comprehensively stated that "Social policies are concerned with the right ordering of the network of relationships between men and women who live together in societies, or with the principles which should govern the activities of individuals and groups so far as they affect the lives and interests of other people."<sup>1</sup>

Somewhere between these extreme visionary notions lives a conventional, textbook, definition of social policy.<sup>2</sup> The social services or social welfare, the labels we have for long attached to describe certain areas of public intervention such as income maintenance and public health, are seen as the main ingredients of social policy. They are obvious, direct and measurable acts of government, undertaken for a variety of political reasons, to provide for a range of needs, material

and social, and predominantly dependent needs, which the market does not or cannot satisfy for certain designated sections of the population. Typically, these direct services are functionally organised in separate and specialised ministries, departments or divisions of government, central and local. They are seen as the "social policy department." What they do is thought to be explicitly redistributive; they politically interfere with the pattern of claims set by the market. They assign claims from one set of people who are said to produce or earn the national product to another set of people who may merit compassion and charity but not economic rewards for productive service. In short, they are seen as uncovenanted benefits for the poorer sections of the community. And because these separate functional units of social service are accountable to the public their activities are, in large measure, quantifiable. We can thus measure the size of the presumed burden (as it is conventionally called) on the economy.

This, I propose to argue, is a very limited and inadequate model of the working of social policy in the second half of the twentieth century. In its distance from the realities of today it is about as helpful (or unhelpful) as some recent models of economic man maximising his acquisitive drives. Later, I attempt to support and illustrate this statement by examining some of the lessons of experience of nearly 20 years of so-called "Welfare Statism" in Britain. First, however, I want to briefly consider one or two of the factors which have contributed to this limited concept of social policy—particularly in relation to its role as a redistributive agent.

Perhaps the most important causative factor in Britain has to do with the heritage of the poor law (or public assistance). Less than 60 years ago social policy was, in the eyes of the middle and upper classes, poor law policy. This model of "welfare use" was part of a political philosophy which saw society as an adjunct of the market.<sup>3</sup>

<sup>3</sup> See, for example, A. V. Dicey, *Law and Opinion in England During the Nineteenth Century*, London, 1905.

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<sup>1</sup> A. Macbeath, *Can Social Policies be Rationally Tested?* Oxford University Press, London, 1957.

<sup>2</sup> For some discussion of the problems of definition see H. L. Wilensky and C. N. Lebeaux, *Industrial Society and Social Welfare*, Russell Sage Foundation, New York, 1958; *Social Welfare Statistics of the Northern Countries*, Report No. 9, Stockholm, 1964; Gunnar Myrdal, *Beyond the Welfare State*, Yale University Press, 1960; and Richard M. Titmuss, *Essays on the "Welfare State"*, Allen and Unwin, Ltd., 1958.

As Karl Polanyi puts it, "Instead of economy being embedded in social relations, social relations are embedded in the economic system."<sup>4</sup> The essential, though financially reluctant, role of the poor law was to support industrialism and the attempt in the nineteenth century to establish a completely competitive, self-regulating market economy founded on the motive of individual gain. It thus had to create a great many rules of expected behaviour; about work and non-work, property, savings, family relationships, cohabitation, men-in-the-house, and so forth.<sup>5</sup> Poverty, as Disraeli once said, was declared a crime by industrialism. Laws about poverty became associated with laws about crime.

This system, which legally survived in Britain until 1948, inevitably involved personal discrimination. The stigmata of the poor law test, moral judgments by people about other people and their behaviour, were a condition of redistribution. The requirements of poor law and public assistance administration were, we can now see, remarkably attuned to the characteristics of bureaucracy drawn by Weber and others.<sup>6</sup> It was theoretically a neat and orderly world of eligible and ineligible citizens; of approved and disapproved patterns of dependency; of those who could manage change and those who could not. From its operation for over a century Britain inherited in 1948 a whole set of administrative attitudes, values and rites; essentially middle-class in structure; and moralistic in application. The new social service bottles of 1948 had poured into them much of the old wine of discrimination and prejudice. It has taken nearly two decades of sustained programmes of new recruitment, training, retraining and intraining, and the appointment of social workers to the public services, to eradicate part of this legacy of administrative behaviour.<sup>7</sup>

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<sup>4</sup> Karl Polanyi, *Origins of Our Time*, Beacon Paperbacks (No. 45), London, 1945, page 63.

<sup>5</sup> *Reports of the Royal Commission on the Poor Laws*, His Majesty's Stationery Office, London, 1909.

<sup>6</sup> H. H. Gerth and C. W. Mills, *From Max Weber: Essays in Sociology*, Oxford University Press, New York, 1946.

<sup>7</sup> See, for example, *Annual Reports of the National Assistance Board, 1950-63*, Her Majesty's Stationery Office, London, and *Seventh and Eighth Reports on the Work of the Children's Department*, Home Office, Her Majesty's Stationery Office, London, 1955 and 1961.

The history of the poor law and public assistance is thus still important to an understanding of social policy concepts today. If one disregards the social costs of industrialism, of allowing a large part of the disservices of technological progress to lie where they fall, then the system (of public assistance) was clearly redistributive. It directly benefited the explicit poor. Those in the greatest need did receive some benefit. But with the limited instruments of policy and administrative techniques to hand in the past, the system could only function by operating punitive tests of discrimination; by strengthening conceptions of approved and disapproved dependencies; and by a damaging assault on the recipients of welfare in terms of their sense of self-respect and self-determination. Within the established pattern of commonly held values, the system could only be redistributive by being discriminatory and socially divisive.

All this is now well documented in the archives of social inquiry and is somewhat ancient history. Equally well-known is the story of society's response to the challenge of poverty during the past 30 years or so: the discovery that this system of public aid was administratively grossly inefficient; the discovery that it could not by its very nature absorb the new dimensions of social and psychological knowledge and that, therefore, it could not function effectively both as a redistributive agent and as an agent to prevent social breakdown; and the discovery that the system was fundamentally inconsistent with the need to grant to all citizens, irrespective of race, religion or color, full and equal social rights.<sup>8</sup>

Gradually in Britain, as we tried to learn these lessons, we began to discard the use of discriminatory and overtly redistributive services for second-class citizens. The social services on minimum standards for all citizens crept apologetically into existence. In common with other countries we invented contributory national insurance or social security and provided benefits as of right. The actuary was called in to replace the functions of the public assistance relieving officer. Free secondary education for all children, irrespective of the means of their parents, was

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<sup>8</sup> Illustrated in the recommendations of the Beveridge Report (*Social Insurance and Allied Services*, Cmd. No. 6404), His Majesty's Stationery Office, London, 1942.

enacted in 1944 as part of a comprehensive educational system. Public housing authorities were called upon in 1945 to build houses for people and not just for working-class people. A limited and second-class health insurance scheme for working-men was transformed, in 1948, into a comprehensive and free-on-demand health service for the whole population.<sup>9</sup>

All these and many other changes in the direct and publicly accountable instruments of social policy led to the notion that, in the year 1948, the "Welfare State" had been established in Britain. While there was general political consensus on this matter there was, on the other hand, much confusion and debate about cause and effect.<sup>10</sup> There were many, for instance, who thought that these policy changes were brought about for deliberately redistributive reasons and that the effects would be significantly egalitarian. This, perhaps, was understandable. Direct welfare in the past had in fact been redistributive (considered apart from the effects of the fiscal system). Therefore it was natural to assume that more welfare in the future would mean more redistribution in favour of the poor. There were others however (among whom I count myself) who believed that the fundamental and dominating historical processes which led to these major changes in social policy were connected with the demand for one society; for non-discriminatory services for all without distinction of class, income or race; for services and relations which would deepen and enlarge self-respect; for services which would manifestly encourage social integration. From some perspectives these major changes in policy could be regarded as ideological pleas to the middle- and upper-income classes to share in the benefits (as well as the costs) of public welfare.

Built into the public model of social policy in Britain since 1948 there are two major roles or objectives: the redistributive objective and the non-discriminatory objective. To move towards the latter it was believed that a prerequisite was the legal enactment of universal (or comprehensive) systems of national insurance, education,

medical care, housing and other direct services.

What have we learnt in the past 15 years about the actual functioning of these services? What has universalism in social welfare achieved? Clearly, I cannot give you a full account of all aspects of this development during a period when, for 13 of these years, the Government in power was not, in the early stages at least, entirely committed to the concept of the "Welfare State." I shall therefore concentrate my conclusions, brief and inadequate though they are, on the theme of redistribution.

Up to this point I have dealt only with what I sometimes call the "Iceberg Phenomena of Social Welfare." That is, the direct public provision of services in kind (e.g. education and medical care) and the direct payment of benefits in cash (e.g. retirement pensions and family allowances).

I now turn to consider two other major categories of social policy which have been developing and extending their roles in Britain and other countries over much the same period of time as the category we call "the social services." Elsewhere, I have described the former as "Fiscal Welfare" and "Occupational Welfare."<sup>11</sup> These are the indirect or submerged parts of the "Iceberg of Social Policy." In both categories a remarkable expansion has taken place in Britain during the past 20 years.

All three categories of social policy have a great deal in common in terms of redistribution. They are all concerned with changing the individual and family pattern of current and future claims on resources set by the market, set by the possession of accumulated past rights, and set by the allocations made by government to provide for national defence and other non-market sectors. Social welfare changes the pattern of claims by, for instance, directly providing in kind education or mental hospital care either free or at less than the market cost. Fiscal welfare changes the pattern of claims by taking less in tax (and thus increasing net disposable income) when a taxpayer's child is born, when its education is prolonged, when men have ex-wives to maintain, when taxpayers reach a specified age, and so on. An individual's pattern of claims on resources is today greatly varied through fiscal

<sup>9</sup> M. P. Hall, *The Social Services of Modern England*, Routledge, London, 1952.

<sup>10</sup> Richard M. Titmuss, *Income Distribution and Social Change*, chapter 9, Allen and Unwin, Ltd., London, 1962.

<sup>11</sup> Richard M. Titmuss, *Essays on the "Welfare State,"* Allen and Unwin, Ltd., London, second edition, 1963.

welfare policy by his or her change in circumstances, family responsibilities, and opportunities available (and taken) for prolonged education, home ownership and so on. In Britain, the United States and other countries the tax system has recently been regarded as an alternative in certain areas to the social security system; as a policy instrument to be used to provide higher incomes for the aged, for large families, for the blind and other handicapped groups, and for meeting part of the costs of education which today may last for up to 20 years or more.<sup>12</sup>

Occupational welfare, provided by virtue of employment status, achievement and record, may take the form of social security provisions in cash or in kind. Such provisions are legally approved by government and, as in the case of fiscal welfare, they may be seen as alternatives to extensions in social welfare. Their cost falls in large measure on the whole population. It is thus, like social welfare and fiscal welfare, a major redistributive mechanism.

In Britain, occupational welfare may include: pensions for employees; survivors benefits; child allowances; death benefits; health and welfare services; severance pay and compensation for loss of office (analogous these days to compensation for loss of property rights); personal expenses for travel, entertainment and dress; meal vouchers; cars and season tickets; residential accommodation; holiday expenses; children's school fees at private schools; sickness benefits; medical expenses; education and training grants and benefits ranging from "obvious forms of realizable goods to the most intangible forms of amenity"<sup>13</sup> expressed in a form that is neither money nor convertible into money.

A substantial part of these occupational welfare benefits can be interpreted—again like fiscal welfare—as social policy recognition of dependencies; the long dependencies of old age, childhood and widowhood, and such short-term dependencies as sickness and the loss of job rights.

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<sup>12</sup> *Reports of the Royal Commission on the Taxation of Profits and Income, 1952-55*, Her Majesty's Stationery Office, London, 1955.

<sup>13</sup> *Final Report of the Royal Commission on Taxation*, Cmd. 9474, Her Majesty's Stationery Office, London, 1955, page 68. See also A. Rubner, *Fringe Benefits*, Putnam, London, 1962.

The populations to which these three categories of welfare relate differ, but a substantial section of people may be eligible for benefits in respect of all three. In Britain, most of the social welfare services (except national assistance and university education) are universalist and citizen-based; they are open to all without a test of means. Thus, access to them does not depend upon achieved or inherited status. Fiscal welfare relates to a smaller population; only to those who pay direct taxes and not those who pay property taxes and social security contributions. Occupational welfare relates to the employed population and, at present, predominantly favours white-collar and middle-class occupations. Benefits are thus related to achievement.

All three categories of welfare are, as we have seen, redistributive; they change the pattern of claims on current and future resources. They function redistributively as separate, self-contained systems and they do so also in relation to the whole economy. Here is one example. Many private pension schemes, which include manual and non-manual workers, tend to redistribute claims on resources from lower-paid to higher-paid employees. This happens because the lower-paid workers change jobs more frequently; in doing so they do not have credited to them the full amount of pension contributions or premiums. It is estimated in Britain that the cost of full preservation of pension rights for all employees in the private sector (an objective in the present Government's proposals for the reform of social security) could add 15 to 25 percent to the actuarial costs of private schemes.<sup>14</sup> Moreover, as at present organised, the cost to the Treasury (the whole community) of private pension schemes substantially exceeds the Treasury contribution to social security pensions for the whole population. The pensions of the rich are more heavily subsidised by the community than the pensions of the poor.<sup>15</sup>

This in part happens because occupational welfare and fiscal welfare benefits are fundamentally based on the principles of achievement, status and

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<sup>14</sup> See references in Richard M. Titmuss, *Income Distribution and Social Change*, chapter 7, and *British Tax Review*, Jan.-Feb. 1964.

<sup>15</sup> Richard M. Titmuss, *The Irresponsible Society*, Fabian Tract No. 323, London, 1959.

need. If there is need, then the higher the income the higher is the welfare benefit. By contrast, social welfare benefits generally take account only of needs—the need for medical care, for education and so on irrespective of income or status.

I have now described in very general terms three categories of social policy redistribution—with particular reference to their operation in Britain. At present, they are publicly viewed as virtually distinct systems. What goes on within and as a result of one system is ignored by the others. They are appraised, criticised or applauded as abstracted, independent, entities. Historically, they have developed different concepts of poverty or subsistence; different criteria for determining approved dependencies; different standards of moral values in determining eligibility for welfare. Some examples will illustrate this point.

The social policy definition of subsistence as developed in the fiscal system for determining exemption from taxation, income needs in old age, and so on, differs markedly from the definition used in public assistance.<sup>16</sup> In some areas of policy the fiscal definition of poverty is employed—as, for instance, in determining grants to university students.<sup>17</sup> In other and similar areas of policy the public assistance definition is employed—as, for instance, in determining aid for poor parents of 16-year old children at school.<sup>18</sup> It is odd, when you come to think of it, that dependency at age 16 is assessed at a lower standard of assistance than dependency at 18 or even 23 (in the case of medical students and graduates).

We have in fact two standards of poverty for determining aid from the community; both highly subjective and unscientific; both employed to assist dependent states; a working-class standard and a middle-class standard. The former has been investigated, studied, measured and argued about for long by sociologists, social workers and economists, and made the subject of many books and

doctoral theses. By contrast, the latter has been virtually ignored.

One further example of double standards operating in different categories of welfare may be selected from a large field—this one to illustrate the role of moral values in social policy.

In the category of social welfare, cash aid from public funds for unsupported mothers, and their children may be stopped if it is believed that cohabitation is taking place. This is an event—or a relationship—that can rarely be legally proved. It is hardly a scientific fact. We have in Britain a cohabitation regulation;<sup>19</sup> you have a man-in-the-house regulation.<sup>20</sup> They amount to the same thing; they cannot be spelt out in precise operational terms. Their application in practice depends in large measure, therefore, on hearsay and moral judgement.

The same problem of to give or not to give aid arises in the category of fiscal welfare. As an example I quote from a memorandum by Lord Justice Hodson to a Royal Commission on Marriage and Divorce: “A super-tax payer may, and quite frequently nowadays does, have a number of wives living at the same time since after divorce his ex-wives are not treated as one with him for tax purposes he can manage quite nicely since he is permitted” (a social policy decision) “to deduct all his wives’ maintenance allowances from his gross income for tax purposes leaving his net income comparatively slightly affected.”<sup>21</sup>

In both instances redistribution takes place; the community renders aid in these situations of need and dependency. But while the decision to help the public assistance mother may involve judgements about moral behaviour, in the case of the taxpayer the decision is automatic and impersonal. The logic of the double standard is not apparent. If one is socially acceptable and approved behaviour then why not the other?

Now I must begin to draw these reflections together. What have been the lessons of experience

<sup>16</sup> *Reports of the Royal Commission on the Taxation of Profits and Income, 1952-55*, Her Majesty's Stationery Office, London, 1955.

<sup>17</sup> Ministry of Education, *Grants to Students*, Cmd. No. 1051, Her Majesty's Stationery Office, London, 1960.

<sup>18</sup> *Report of the Working Party on Educational Maintenance Allowances*, Her Majesty's Stationery Office, London, 1957.

<sup>19</sup> National Insurance Act, 1946, section 17 (2) and *Digest of Commissioner's Decisions*, Her Majesty's Stationery Office, London, 1946-64.

<sup>20</sup> See *Report of the Public Welfare Crisis Committee*, Metropolitan Washington Chapter of the National Association of Social Workers, Washington, 1963.

<sup>21</sup> J. Hodson, *Royal Commission on Marriage and Divorce*, M D P/1952/337, Her Majesty's Stationery Office, London, 1952.

in Britain about the actual functioning of these three categories of welfare during the past 15 years? Obviously, I cannot give you more than a fragment of an answer, and even this involves over-simplifying to a dangerous degree. To analyse and measure the redistributive effects of this process of the social division of welfare would be an immensely complex task—even if the essential statistical data were available which, in many areas, they are not. All I can offer are a few generalised conclusions.

The major positive achievement which has resulted from the creation of direct, universalist, social services in kind has been the erosion of formal discriminatory barriers. One publicly approved standard of service, irrespective of income, class or race, replaced the double standard which invariably meant second-class services for second-class citizens. This has been most clearly seen in the National Health Service. Despite strict controls over expenditure on the Service by Conservative Governments for many years it has maintained the principle of equality of access by all citizens to all branches of medical care. Viewed solely in terms of the welfare objective of non-discriminatory, non-judgemental service this is the signal achievement of the National Health Service. In part this is due to the fact that the middle-classes, invited to enter the Service in 1948, did so and have since largely stayed with the Service. They have not contracted out of socialised medical care as they have done in other fields like secondary education and retirement pensions. Their continuing participation, and their more articulate demands for improvements, have been an important factor in a general rise in standards of service—particularly in hospital care.<sup>22</sup>

But, as some students of social policy in Britain and the United States are beginning to learn, equality of access is not the same thing as equality of outcome. We have to ask statistical and sociological questions about the utilisation of the high-cost quality sectors of social welfare and the low-cost sectors of social welfare. We have to ask similar questions about the ways in which professional people (doctors, teachers, social workers and many others) discharge their roles in diagnos-

ing need and in selecting or rejecting patients, clients and students for this or that service. In the modern world, the professions are increasingly becoming the arbiters of our welfare fate; they are the key-holders to equality of outcome; they help to determine the pattern of redistribution in social policy.

These generalisations apply particularly when services in kind are organised on a universalist, free-on-demand basis. When this is so we substitute, in effect, the professional decision-maker for the crude decisions of the economic marketplace. And we also make much more explicit—an important gain in itself—the fact that the poor have great difficulties in manipulating the wider society, in managing change, in choosing between alternatives, in finding their way around a complex world of welfare.

We have learnt from 15 years' experience of the Health Service that the higher income groups know how to make better use of the Service; they tend to receive more specialist attention; occupy more of the beds in better equipped and staffed hospitals; receive more elective surgery; have better maternity care; and are more likely to get psychiatric help and psychotherapy than low income groups—particularly the unskilled.<sup>23</sup>

These are all factors which are essential to an understanding of the redistributive role played by one of the major direct welfare services in kind. They are not arguments against a comprehensive free-on-demand service. But they do serve to underline one conclusion. Universalism in social welfare, though a needed prerequisite towards reducing and removing formal barriers of social and economic discrimination, does not by itself solve the problem of how to reach the more-difficult-to-reach with better medical care, especially preventive medical care.

Much the same kind of general conclusion can be drawn from Britain's experience in the field of education. Despite reforms and expansion during the past 15 years it is a fact that the proportion of male undergraduates who are the sons of manual workers is today about 1 percent lower than it was between 1928 and 1947. Although we have doubled the number of University students

<sup>22</sup> A. Lindsey, *Socialized Medicine in England and Wales*, University of North Carolina Press, 1962.

<sup>23</sup> Richard M. Titmuss, *Essays on the "Welfare State,"* appendix on the National Health Service, second edition, Allen and Unwin, Ltd., London, 1963.

the proportion coming from working-class homes has remained fairly constant at just over a quarter.<sup>24</sup>

The major beneficiaries of the high-cost sectors of the educational system in "The Welfare State" have been the higher income groups. They have been helped to so benefit by the continued existence of a prosperous private sector in secondary education (partly subsidised by the State in a variety of ways including tax deductibles), and by developments since 1948 in provisions for child dependency in the category of fiscal welfare.<sup>25</sup> Take, for example, the case of two fathers each with two children, one earning \$60,000 a year, the other \$1,500 a year. In combining the effect of direct social welfare expenditures for children and indirect fiscal welfare expenditures for children the result is that the rich father now gets thirteen times more from the State than the poor father in recognition of the dependent needs of childhood.

Housing is another field of social policy which merits analysis from the point of view of redistribution. Here we have to take account of the complex interlocking effects of local rate payments, public housing subsidies, interest rates, tax deductibles for mortgage interest and other factors. When we have done so we find that the subsidy paid by the State to many middle-class families buying their own homes is greater than that re-

ceived by poor tenants of public housing (local government) schemes.<sup>26</sup>

These are no more than illustrations of the need to study the redistributive effects of social policy in a wider frame of reference. Hitherto, our techniques of social diagnosis and our conceptual frameworks have been too narrow. We have compartmentalised social welfare as we have compartmentalised the poor. The analytic model of social policy that has been fashioned on only the phenomena that are clearly visible, direct and immediately measurable is an inadequate one. It fails to tell us about the realities of redistribution which are being generated by the processes of technological and social change and by the combined effects of social welfare, fiscal welfare and occupational welfare.

How far and to what extent should redistribution take place through welfare channels on the principle of achieved status, inherited status or need? This is the kind of question which, fundamentally, is being asked in Britain today. And it is being directed, in particular, at two major areas of social policy—social security and housing. Both these instruments of change and redistribution have been neglected for a decade or more. We have gone in search of new gods or no gods at all. It is time we returned to consider their roles afresh and with new vision. Perhaps we might then entitle our journey "Ways of Extending the Welfare State to the Poor."

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<sup>24</sup> *Robbins Report on Higher Education*, appendix 2, volumes A and B, Her Majesty's Stationery Office, London, 1964.

<sup>25</sup> *The Economist*, London, Oct. 26, 1963.

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