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Good Times, Bad Times: The Welfare Myth of Them and Us, by John Hills

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Most people receive from the welfare state what they pay in taxes, argues Danny Dorling

Painstakingly produced and eminently readable, *Good Times, Bad Times* takes us through the story of today's Britain. It is essential reading for physicists and medics, schoolteachers and school cleaners, pensioners and students of all kinds. Social scientists will love it and learn an enormous amount from it – even those of us who think we are already well informed. This is an academic book for everyone.

Sir John Hills roundly debunks the myth of shirkers and strivers. He follows the money to get at the truth, and the result is every bit as revealing as an episode of *The Wire*. Almost all of us use the state as insurance almost all the time. Some of us gain more than others, but over the course of our lifetimes it evens out. Almost all of us also contribute to the state, not just through indirect taxes. Most of those not currently paying in have paid in directly earlier or will do so later in their lives.

To tell his story entertainingly, and to keep the key points simple, Hills follows two fictional families, the Osbornes and the Ackroyds, throughout their lives, over three generations. The Osbornes are a well-off family with accountants and teachers among their ranks. As they are part privately educated, you might think they were paying much more in than they were getting out. They certainly think so – but they aren't. It is not just what they save from continuously benefiting from the NHS' safety net that balances their contributions, but also the hidden benefits, such as receiving both the state pension and healthcare for far longer, as they usually live longer than most people in Britain.

Hills shows that over their lifetime almost all individuals in the UK draw just under £300,000 from the welfare state, regardless of income

Giving the rich family of this tale the same surname as the current chancellor, and also making them inhabitants of a Cheshire suburb not far from his constituency, is inspired. Indeed, the fictional family's grandchild was nearly christened George after the new monarch-to-be. You cannot read the book and not keep thinking of the real George Osborne, those who vote most enthusiastically for his party, and what they almost all assume.

And yet even this naming is not contrived: the Osbornes of Alderly Edge first appeared as fictional characters in a 1989 *World in Action* TV documentary, *Spongers*, which aimed to uncover whether the middle classes of the time were being ripped off by having to contribute so much for the upkeep of the Ackroyds, residents of social housing in nearby Salford.

Our current chancellor was a week shy of 18 when that documentary appeared, just about to go "up" to Oxford. He had not long changed his name from Gideon and would soon be donning a Bullingdon Club tailcoat, aping Adam Ant. It is doubtful young George watched *Spongers* or its 1991 follow-up, *Beat the Taxman*, which showed that even then the Osbornes fared so much better than the Ackroyds of their day in what they got out of the welfare state.

The welfare state is very frugal when it comes to the poor. Free school meals cost £290 a year for a child, far less than it costs to feed a dog. Hills shows that over their lifetime almost all individuals in the UK draw just under £300,000 from the welfare state, regardless of their income, with only the bottom tenth drawing a fraction more – about £5,000 a year for 65 years. It is not only the costs of more NHS treatment for the affluent elderly that explains this. Subsidised opera also plays a (very small) part.

With the exception of the poorest tenth, almost everyone else gets out of the welfare state what they put in through tax at other points in their lives. The best-off tenth of the population put in about £500,000 each, but they can do so only because the existence of the welfare state allows them to pay themselves so much, and others less. Wages at the bottom can be so low only because of state support. The next best-off tenth put in less than £400,000 each, and few people stay in these top two deciles for more than a decade or so. When we are children, pensioners and in between jobs we are "scrounging" off ourselves in the years in which we are working "strivers". The poorest tenth fail to contribute as much as they take only because their wages are so very low when they are in work, too low to pay enough direct tax.

Early on, Hills explains that the middle fifth of the UK's families feel squeezed because their share of national income fell from 18 per cent in 1979 to 17 per cent in 1997 and down again to 16 per cent by 2011. Their share fell slightly faster each year during New Labour's tenure than under Margaret Thatcher or John Major.

Families in the poorest fifth did worse under Thatcher than under the preceding Labour government, losing a fifth of their national share of income, which dropped from 10 per cent to 8 per cent under her party's rule. All that New Labour managed to do was to prevent this share from falling even further. The share claimed by the top fifth, which grew rapidly under Thatcher, continued to grow under New Labour, but by then only those at the very top of this group saw great gains. The 1 per cent's take of national income doubled under the Tories, and rose again under New Labour by almost as much as the total they took in 1979.

For a growing number, Hills reveals, there is growing precarity; precarity that makes the welfare state more vital. The number of people on zero-hours contracts tripled between 2010 and 2013, to 500,000. By early 2014, 1.4 million employment contracts did not specify a minimum number of hours of paid work. Job growth has been in self-employment. Far fewer people are long-term unemployed in the UK than in the rest of Europe. More are willing or forced to take any job going, and more of those jobs end more quickly.

Life at the top is not as rosy as it is often painted. Of all those people who were in the top tenth of earners in 1991, less than a quarter were in the richest tenth 15 years later. There are many reasons why three-quarters of people at the top don't last there, although hardly any of them had fallen into the bottom half of the income distribution by 2006. Almost no one at the top later comes to rely solely on the state pension, which Hills calls the least generous in the industrialised world.

Hills describes inequalities in six-year survival rates in Britain for 65-year-olds according to their wealth as akin to the survival rates of people of different social classes on board the *Titanic* in the six hours after it hit the iceberg. It is a reminder, like much in this book, that no social scientist in the UK employs a wider range of statistics, or uses them as effectively, or accompanies them with as much international evidence, as Hills.

If I had one criticism, it would be that the book pulls its punches a little too often. It ends: “we are all – or nearly all – in it together”. Hills shows that almost everyone uses and benefits from the welfare state, but he has very little to say about the tiny group at the top who never touch any state education or most state healthcare, who can afford to pay university tuition fees upfront and who, if out of work, would never claim jobseekers’ allowance because it would not be worth their while – their trust fund is more than enough.

Of course the top tenth of the top 1 per cent hardly feature in surveys. Tax avoiders and evaders by definition are not properly described in tax data. Among them are a group that have profited from the dismantling of so many parts of our still substantial welfare state, and who plan to take so much more. I hope that soon Hills will apply his forensic eye to this group of “thieving winners”. We are not all in this together. It is time we were.

Good Times, Bad Times: The Welfare Myth of Them and Us

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The author

Director of the Centre for Analysis of Social Exclusion and professor of social policy at the London School of Economics, Sir John Hills was knighted in 2013 for services to social policy development, and recalls that “on the day of the ceremony everyone is terribly nice to you, whatever you are getting”.

He lives in Highbury in North London (“close to both the old and new Arsenal grounds”) with his wife, a fellow social policy academic at the LSE.

Hills was born in Luton, and “first lived in Dunstable, but we moved around quite a lot as a family because my father was a weather forecaster, and so posted between RAF stations, including later in Germany, Nottingham and Abingdon. I have been left with a continuing devotion to following the weather, and jealousy of *The New York Times*’ weather reports (at least the last time I saw them), with a wonderful display of large amounts of data in a small space.”

During his childhood, “there were always a lot of books at home, newspapers, the BBC on the radio and discussion of current affairs. Neither of my parents had been to university, although in different circumstances both could have done, and it was always taken as given that education was crucial. I was lucky to have inspiring English, maths and physics teachers.”

Of his undergraduate days, Hills says, “When I first arrived at university I tried out a lot of the things that were on offer, most of which I had no talent whatsoever for. But I learnt a huge amount on the university newspaper, Stop Press, which I co-edited, particularly from reading Harold Evans’ journalism training books, especially his Newsman’s English, on how to try to keep things clear and to the point.”

How did a privately educated University of Cambridge economics undergraduate become interested in inequality?

“My mother trained as a social worker in Nottingham in the 1960s, including work in the St Ann’s and Meadows areas, so I always had some idea that Britain had people living in poverty,” he responds.

“When I switched to economics at the end of my first year at Cambridge, one of the four books that my director of studies, Mervyn King, said I should read was Tony Atkinson’s *Unequal Shares: Wealth in Britain*. In some ways, it is remarkable that so few students of economics become interested in inequality – fundamentally, the subject is about who gets what and why, so you would have thought inequality would be more central to the discipline than it often seems to have become.”

Hills served on the Pensions Commission, and he has carried out reviews for government on fuel poverty, social housing and inequality. Asked what subject he would like to offer policy advice on if the choice were his, he replies: “It is rather hard for academics to identify the topics where an independent view of a policy problem would, at that moment, contribute to moving things along.

“But just now, it would be good if someone could work through how we could construct a social security system that simultaneously delivers genuine security in hard times and across the life cycle, and commands the public support and understanding that would mean it was adequately funded.”

So whose fault is it that the UK is such an unequal society?

“It has become more respectable than perhaps it was a few decades ago for people to think that just because they *can* be paid many multiples of what others get, that they *should* be paid that. That growth in differences in annual flows of income is now congealing into differences in family wealth that represent many more years of income and saving than before.”

Hills adds: “As Thomas Piketty has emphasised, this makes it hard to climb the wealth ladder through your own efforts; inheritance and support from parents and grandparents are even more important for people’s life chances – but their scale is very unequal.”

Looking back on the record of a government that sought his advice, does Hills feel that New Labour should be proud of themselves?

“It is strange that Labour does not take more pride in their social policy achievements, sometimes seeming to accept that they ‘spent a lot and achieved nothing’. Our assessment of their record suggested that they did spend quite a lot (although not on the cash handouts they are often accused of) but they also achieved a lot. When they left office Britain was, in most respects, a more equal and fairer society than it had been when they started – with the notable exception of what had happened at the very top.”

And should the Conservative/Liberal Democrat coalition government be proud of themselves? “We will be publishing our assessment of the coalition’s record – under CASE’s ‘social policy in a cold climate’ programme – at the end of January, so that may help people make their judgements then.”

What makes him hopeful? “Spending time with any of our five grandchildren and sharing in their energy and enthusiasm,” Hills replies.

Karen Shook