



By: *Harvey Morris*

Tinkering at the edges will not salvage Britain's welfare state



Faced with changing spending priorities in a sluggish economy, the UK government is set on a cost-cutting programme that critics fear could further undermine the long-established model of the British welfare state.

The challenge is to slash a ballooning benefits bill, which the government regards as unsustainable, without removing the safety net that protects the jobless and the sick.

With around 3.7 million people of working age receiving health-related benefits, 1.2 million more than before the Covid pandemic, Britain is now **spending** £65 billion a year on incapacity and disability benefits, more than it does on defence.

If left unchecked, the bill is set to rise to £100 billion by the end of the decade.

The government's **proposed** solution is to adjust the benefits system to encourage as many as are able to return to work by eliminating the incentives of a so-called benefit trap that would currently leave many of them worse off.

Speculation ahead of measures revealed this week prompted growing disquiet within the ruling Labour Party, which prides itself on having established the architecture of the post-World War II welfare state.

State-centred model

The post-war Labour government was acting on a political consensus that emerged during the conflict to address what the 1942 Beveridge Report described as the five giants of "squalor, ignorance, want, idleness and disease".

The impetus behind reforms that transformed healthcare, education and pensions in a period of severe post-war ration book austerity was to ensure that there was no return to pre-war inequalities.

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But does a state-centred model devised eight decades ago still fulfil that aspiration in the much-altered Britain of 2025? And are other factors leading to at least a perception of growing inequality, fuelling the fears of the 1-in-5 already below the poverty line?

The government's immediate challenge is to address a surge in people claiming health-related benefits, who now number around one-in-ten of the working-age population. About half of the increase, from 2.8 million in 2019 to 4 million now, relates to mental health.

Health minister Wes Streeting risked being accused of victim-blaming when he **suggested** mental health conditions were being overdiagnosed. Indeed, he received an indirect rebuke from the mental health charity Mind, which said it was important to avoid language that stigmatised people.

The mental health crisis

Whatever the underlying causes, mental health problems among the young have contributed to a rise in the number of 16-24-year-olds not in education, jobs or training, with the total up by a quarter to 870,000 since 2022.

In a Britain that has failed to match the post-Covid recovery rates of comparable economies, the mental health crisis involves predominantly young people with poor educational outcomes and low skills.



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The government has decided to grab the nettle of welfare reform ahead of a spring budget statement next week in which Chancellor Rachel Reeves is **expected** to announce savings to ensure spending stays within her fiscal rules.

The mounting demands of health, social welfare and education will have to be set against government pledges to boost defence spending in the face of uncertainty about the Trump administration's commitment to European security.

A decision this month to scrap the top-heavy bureaucratic body that has run public health services in England for more than a decade and return management to government control has been cautiously welcomed.

But there are doubts that any savings involved will do much to mend a struggling National Health Service that continues to face treatment backlogs and rising demand.

A cure for Britain's malaise

In the face of the challenges facing the welfare state, the political instinct of the wider Labour movement is to tax the rich. However, the government is unlikely to go beyond measures unveiled in an October budget which were portrayed by its opponents as a tax raid on the wealthy.

A cure for Britain's malaise that would ensure

the preservation of an egalitarian welfare state will require changes that go beyond tinkering with benefit rules and trimming bureaucracy.

Action is needed on addressing regional imbalances to raise the prospects of areas where poverty and limited prospects are the norm. That may require not just more investment but also further devolution of power to better-funded local authorities.

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The education system, in which almost half of state-funded schools are run by independent academies, needs to focus less on running exam factories and more on cultivating the life skills and talents that even their most deprived pupils require.

The government must also deliver on its pledge to deliver more affordable housing in an economy in which rents consume the lion's share of many family budgets and ownership is out of reach.

In the workplace, ministers should also challenge the impact of a gig economy in which regular wages are not guaranteed, adding to the precarity of the working poor. In an economy in which many in work still rely on benefits to survive, the taxpayer is ultimately subsidising private employers.

There is no guarantee that the British welfare state will survive in its present form. But these and other reforms might ensure that it endures not just as a safety net for the poor but returns to its founding ambition of providing a more level playing field for all.