

## INTRODUCTION

Private welfare is growing in the UK. While welfare purchased through the market remains small in comparison to the traditional welfare state, its importance has risen in the last twenty years (Burchardt, Hills and Propper, 1999). During the years of Conservative administration between 1979 and 1997 there were a number of key initiatives designed to increase the role for private finance of welfare: these included withdrawal of entitlement to free dental and eye checks, the introduction of tax relief of private medical insurance for the over 60s, the right to buy scheme in housing, and tax reliefs to encourage individuals to opt out of the State Earnings Related Pension Scheme (SERPS). As pressures on tax-financed services seem set to remain, both policy-makers and consumers have an interest in the role of private alternatives. All the indications are that the current Labour administration will continue to promote self-provision and the involvement of the private sector. In the April 1998 Green Paper on welfare reform (DSS 1998), the Labour government argued that its policy reforms will follow a 'third way', but although this statement rules out the most radical forms of privatisation or simply pumping more money into the system, it does little to narrow down the numerous policy options between these two poles.

Against this backdrop, relatively little is known about users of private welfare and almost nothing is known about how use of different private services is linked. Is there now in the UK a private welfare class: a distinct group of users of private services who regularly use a range of private welfare services? The existence of such a class would have implications for the role of the state in provision of these services. Private sector use may be associated with different political attitudes about the role of the state in welfare provision: in particular, private users may favour a smaller role for the state. If attitudes are affected by use, then an expansion of private welfare use may mean less support for public provision, which may have knock-on effects on the level of support for taxes and the quality of the public sector. This article seeks to address these issues.

It examines privately-provided welfare services purchased by individuals to identify whether there is such a class and whether attitudes to the role of the state in financing welfare are linked to membership of this class. In contrast to all earlier studies, the article uses longitudinal data: the newly-available British Household Panel Survey for the period 1990 to 1995. This is complemented with analysis of the 1994 British Social Attitudes Survey (BSAS). The BSAS identifies different service usage from that recorded in the BHPS, as well as providing a check on the reliability of the BHPS

data. In addition, the BSAS has been used extensively to examine attitudes and service usage.

Non-state welfare can take a number of forms (Titmuss 1958). The services examined here are all privately provided, and are purchased by individuals (or in some cases by their employers), although there may be some element of public finance (for example, tax reliefs, state benefits, or payments under the Assisted Places Scheme)<sup>1</sup>. Specifically, the services examined are private medical insurance, private health care, private schooling, owner-occupation and private renting, and private and occupational pensions. The focus is on health and education, as these are perhaps the most politically sensitive elements of government welfare spending and where the debate about the role of the private sector has been intense.

The analysis presented here indicates private welfare use has increased, and private welfare users have a clear social and demographic profile. The private use of one service is associated with private use of another, both in one time period and across time. However, the evidence does not suggest that the users of private welfare are a separate and distinct part of the population, or that there is a sizeable group who use only private services. Private users also make considerable use of state services and if a private welfare class is defined in terms of exclusive use of the private sector, it is very small. While private welfare users appear to differ in terms of attitudes to the role for the state in provision of services, there is evidence which suggests that it is use of any health services - public or private - that affects attitudes on the role of the state in the finance of welfare services, rather than use of private health care per se.

The article begins with a brief outline of the main policy changes in private welfare in the last decade and a description of private welfare users. In Section 2 the links between use of private services, both over time and across services, are examined. Section 3 explores the relationship between use of private welfare and attitudes towards state provision. Both satisfaction with, and support for, state services are investigated, taking into account where possible the intensity and range of use of private services. The final section concludes.