

Austerity in the United Kingdom and its legacy: Lessons from the COVID-19 pandemic

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Abstract

The COVID-19 pandemic revealed that public institutions and some households in the United Kingdom (UK) were in a vulnerable and weak financial position to mitigate its immediate outcomes. Public institutions did not have the necessary resources to support their communities and low-income groups were disproportionately affected by the economic contraction of 2020–2021. This paper explores how the disastrous consequences of the pandemic were exacerbated by the implementation of an austerity programme, that as an extension of a neoliberal ideology, supported the development of the market at the expense of reducing the welfare state. Through an assessment of four trends that were reinforced during austerity—the four ‘Ds’—this article shows that austerity influenced many of the struggles observed during the pandemic. These trends are disinvestment, decentralisation, decollectivisation and disintegration. Despite the lessons learnt in 2020–2021 and the evident need to move away from a neoliberal agenda that dismantled the capacities of the state, this article concludes that neoliberalism continues to threaten the welfare state and the formation of social collectivities. Some expenditure decisions taken by the British government in 2020–2021 could further deepen social class divisions and regional inequalities. More is needed from the government to tackle these social problems and to build a fairer and more equal society.

JEL Codes: H0, I3, O1

Keywords

austerity, COVID-19, decentralisation, decollectivisation, disintegration, disinvestment, neoliberalism, pandemic

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Introduction

In the last decade, research published by the *Economic and Labour Relations Review (ELRR)* has discussed the implications of austerity for the public employment relationship and for the capacity of public institutions (e.g. Bach, 2016; Thomas and Tufts, 2016; Sommers et al., 2014). The COVID-19 pandemic has brought the discussion of the economic and social implications of austerity in the United Kingdom (UK) into sharp focus. The COVID-19 pandemic revealed that public institutions and some communities in the UK were ill-placed to mitigate the social struggles of 2020–2021. For example, we quickly learned that health organisations did not have the necessary resources to accommodate the additional demand and that medical staff were at risk of losing their own lives because of the limited personal protective equipment (PPE).

The official political narrative around the austerity programme implemented in 2010 and which lasted for almost a decade, was that a fiscal consolidation was necessary to reduce the public deficit and to avoid incurring high debt interest payments that could damage the economy (Treasury, 2010). The Prime Minister Boris Johnson signalled the end of austerity in 2019 when he announced spending allocations above inflation for all public services. The benefits of these expenditure increases were short lived. In March 2020, the COVID-19 pandemic hit the world, forcing many governments, including the British government, to implement lockdowns to avoid the spread of the virus. The implementation of the lockdowns disrupted production chains and slowed the pace of the economy. The British government responded to the health and the economic crisis of 2020–2021 by releasing unprecedented levels of expenditure. According to estimates by the Institute for Government, by November 2020, the UK government had borrowed GBP 394 billion to support the health service, businesses, and communities to overcome the immediate outcomes of the pandemic (Pope et al., 2021).

Few studies have explored how austerity in the UK reduced the capacity of public institutions and influenced some of the problems observed in 2020–2021 (e.g. Hiam et al., 2021; Daly, 2020). For instance, Hiam et al. (2021) found that austerity worsened health conditions in the UK and accelerated mortality rates, putting additional strain on health services during the pandemic. However, none of this research has presented a clear conceptualisation of austerity to show how the implementation of different policies aimed at promoting the development of the market served as a pre-condition for many of the social struggles observed in 2020–2021. Furthermore, these studies have mostly focused on policymaking affecting specific services, restricting the understanding of the economic and social implications of austerity. This article fills this gap by presenting a clearer case regarding the austerity programme by carrying out an examination of different policies implemented between 2010–2011 and 2018–2019.

This article argues that four trends that were reinforced during austerity—the four ‘Ds’—provide an understanding of how austerity reinforced different types of injustices and reduced the capacity of public institutions. These trends are disinvestment, decentralisation, decollectivisation and disintegration. Disinvestment relates to the expenditure reductions that led public institutions to reduce costs and to protect the provision of statutory service areas over non-statutory areas. Decentralisation relates to the shift in responsibility from central to local government in the collection of revenue to deliver

local services. Decollectivisation refers to the barriers experienced by workers to getting organised and to protecting their employment conditions. Disintegration refers to the fragmentation of services and the increased involvement of the private sector in public affairs.

This article also contributes to the austerity literature by examining the allocations of public expenditure in the UK during the period 2020–2021 and exposing the continuation of some old and dangerous neoliberal trends. These trends are the exclusion of vulnerable groups from state protection, wage restrictions in the public sector to restore employment rates and the restricted intervention from the government to secure the provision of local services. The analysis reveals the institutionalisation of neoliberalism. Furthermore, it reveals that some neoliberal states may remain cautious about developing the welfare state if this, in any way, threatens the revenues and competitiveness of the market. While it might be true that the COVID-19 pandemic could have long-term consequences for global capitalism—due to the levels of investment that are needed to restore societies and which could lead to the emergence of more paternalistic states (Saad-Filho, 2020; Scambler, 2020)—this paper argues that we are not there yet and, that the British government is still governing through a dangerous neoliberal agenda which restricts the restoration of the welfare state that is so necessary for the achievement of a more equal society.

The rationale for austerity policies

The idea of the need to reduce the public sector to promote the development of the market is not new and can be traced back to the beginning of the 20th century. The depression of the 1920s forced the British government to intervene through releasing expenditure in the form of work programmes to protect the status-quo of British citizens after the post-war period. This intervention was soon opposed by policymakers who embraced liberal economic thought and who argued that releasing public expenditure could be damaging for economic growth. In their view, public expenditure could only be financed through taxes to a limited extent and the state would need to acquire national debt to fund the additional expenditure. They feared that increasing the levels of national debt could lead to a loss of national sovereignty as foreign investors could have more decision-making in national affairs. Furthermore, they perceived debt as something that could affect the levels of private investment and therefore the competitiveness of the country. Their argument was that if the state was unable to repay the debt interest payments, this would leave investors bankrupt and those resources that could have been used to increase the production of goods and services would have been misused by the government (Blyth, 2013; Konzelmann, 2014).

The years after the second world war (between 1940s and 1960s) were characterised by state intervention in the form of public expenditure to promote economic growth. The public sector grew considerably during these years, and this led to the re-emergence of the debate about the public sector affecting private sector competitiveness. Margaret Thatcher, who became Prime Minister in 1979, embraced a neoliberal ideology that presented the public sector as the root of many of the economic problems in Britain (Allington and Peele, 2012). In Thatcher's view, the resources of the economy

(e.g. capital and labour) were inefficiently employed in the public sector and her policies focused on reducing the size of the public sector. Furthermore, her government advanced the idea that the reduction of the public sector was necessary to restrict the bargaining power of public trade unions who were blamed for rising inflation rates (Burton, 2013). In short, Thatcher perceived both the state and organised labour as barriers to the efficient allocation of resources because of their interest in the establishment of regulatory frameworks to protect employment conditions, their opposition to privatisation, and their demands for progressive taxation. Scholars have argued that every government after Thatcher has continued to embrace neoliberal policies (Grimshaw and Rubery, 2012; Taylor-Gooby and Stoker, 2011). This was visible even during the New Labour government that was in power between 1997 and 2010. Although the years of the New Labour government were characterised by higher levels of public expenditure, the government also embraced policies that undermined the development of the welfare state such as a reduced tax base, increased privatisation, and the de-regulation of the market.

The austerity programme implemented in 2010 has been presented as an extension of the neoliberal driven project that initiated in the 1970s (Taylor-Gooby and Stoker, 2011; Grimshaw and Rubery, 2012). This is because the government did not publicly recognise that the budget deficit was the result of the failures in the market. Instead, the government asserted that the public deficit, and consequently the fiscal consolidation, were the result of irresponsible spending decisions made by the previous government. The government's decision to reduce the public deficit through public expenditure cuts but not through increased taxation quickly evidenced the regressive impact of the policies (Taylor-Gooby and Stoker, 2011). The public sector was once again labelled as incompetent in terms of running services efficiently (Burton, 2013), and the government developed policies to increase the participation of private providers in public affairs. Moreover, it was public sector employees who experienced wage restraint for almost a decade as a way to restore employment rates and profitability to the private sector.

Understanding austerity through the four 'Ds'

In this paper, austerity is presented through a conceptualisation of the four 'Ds' that relate to four trends that were reinforced after 2010 to reduce the capacity of the state and to restrict the collective organisation of labour to promote the development of the market. These trends are disinvestment, decentralisation, decollectivisation and disintegration.

Austerity has been assessed through the retrenchment literature that relates to disinvestment in the public sector, as well as to the responses adopted by public institutions to overcome their budgetary pressures. Authors who support budgetary reductions in the public sector suggest that the latter allow public organisations to become more efficient and innovative in the provision of services (Shaw, 2012; Hastings et al., 2015). On the other hand, other authors have challenged these arguments by suggesting that falls in public expenditure limit the capacity of public institutions to protect vulnerable and low-income groups who are more likely, in relation to higher income groups, to be in need of public services and state benefits to fulfil their basic needs (Taylor-Gooby and Stoker, 2011; Lavalette, 2017).

Austerity has also been explored through the re-scaling literature that relates to the transfer of responsibilities and powers from the central state to the regional scale or political organisation. On one hand, decentralisation is seen as a necessary political strategy to reconfigure the balance of class power and to manage the contradictory social relations of capitalism (Brenner, 2009). As suggested by Bruch and White (2018) decentralisation provides local state actors with the opportunity to expand social provision, to identify local needs, and to support marginalised communities. On the other hand, authors have argued that decentralisation undermines the power of the central state and the forms of social provision it embodies, threatening the wider goals of equity and redistribution (Mackinnon, 2013; Gray and Barford, 2018). Regional actors are forced to become entrepreneurial in order to promote economic development, often resulting in service cuts to balance budgets (Donald et al., 2014).

The shift from the collective organisation of work and employment towards the individualisation of the employment relationship has also been assessed in the austerity literature. Arguments in favour of the disorganisation of labour are grounded in neoclassical economics, which proposes that reductions in nominal wages restore employment levels and consequently lead to economic growth (Konzelmann, 2014). Neoclassical economists present trade unions as agents that oppose reductions in nominal wages, which bounds the capacity of nations to restore employment levels and to achieve growth in the short term. On the other hand, the disorganisation of labour is seen as a factor that erodes the employment relationship and restricts workers in terms of fighting for improved employment conditions, creating new spaces for wealth accumulation whilst exacerbating ethno-racial and gendered divisions (Bach, 2016; Fanelli and Brogan, 2014).

Finally, austerity has also been analysed through the disintegration of the state as a societal institution that is responsible for the provision of services giving way to more private service provision. Arguments in favour of the increased participation of private actors are grounded in public choice theory, which presents the public sector as an inefficient agent in the allocation of public resources and as lacking a competitive advantage over the private sector due to its inability to optimise costs (Wright, 1993). Authors have challenged this argument by pointing to the inability of some private organisations to deliver high quality services because of their need to secure a profit at the expense of sacrificing service quality (Hudson, 2016; Myers, 2017), and by arguing that private service provision marginalises vulnerable groups because it reduces the opportunities for these groups to access universal and free services (Lloyd and Penn, 2014).

Methodology

The collection of the qualitative and quantitative secondary data followed the process suggested by Reiter (2017), who argues that exploratory studies can be driven by initial hypotheses connected to formulated research questions. In this regard, the collection of the data was based on two main principles. First, the data needed to address partially or fully the research questions set in this study. Second, the data needed to cover two periods: the austerity period between 2010–2011 and 2018–2019, and the period of the COVID-19 pandemic (from March 2020 onwards). The qualitative data were policy documents released by different governmental departments and reports from national

audit organisations, think tanks, and trade unions that assessed the implementation of several policies during austerity. The quantitative data were official statistics and budgetary data from several governmental departments. The sampling criteria used in this study was data saturation. This type of sampling refers to reaching a point where additional data contributes little or nothing to new knowledge.

The data were analysed in two stages. First, an initial assessment of the data was carried out to understand the policies implemented in the two periods of interest as well as the outcomes of these policies. In the second stage, a more thorough analysis of the data was conducted. It was in this phase that units of meanings were identified, and notes were taken, which allowed for the recognition of trends and patterns in the data to establish the relationship between austerity and the unpreparedness of public organisations and households during the COVID-19 pandemic. It was also in this phase that a thorough analysis of policy decisions proposed or implemented in 2020–2021 was conducted. The validation of the data was carried out using triangulation, which relates to a process where the data from one source is used to validate the data from another source. The data from official sources and audit organisations were considered the main bases when carrying out the validation checks.

Austerity and the reduced capacity of public institutions and households to overcome the COVID-19 pandemic

Disinvestment

Expenditure on the National Health Service (NHS) increased above inflation every year between 2010–2011 and 2018–2019. However, as a proportion of Gross Domestic Product (GDP) it fell from 7.4% in 2010–2011 to 7.1% in 2018–2019 (Harker, 2019). The NHS faced its budgetary pressures by achieving savings, selling assets, and reducing the money available for capital investment. For example, in 2016, NHS England introduced the Sustainability and Transformation Fund which initially aimed to reduce the financial deficit in the health sector, but given the funding pressures in the latter, the fund was used to address revenue shortfalls. Only those NHS organisations that met their control targets (e.g. financial positions and performance levels) had access to the fund. These control targets were achieved through a system of recurrent savings (e.g. agency staff savings) and non-recurrent savings (e.g. the sale of land and buildings, leaving staff posts temporarily vacant). Although the implementation of non-recurrent savings risked affecting the quality of care, an increasing number of NHS organisations relied on this type of savings to overcome their revenue shortfalls (National Audit Office (NAO), 2020a). After 2014, the NHS also addressed funding pressures by using a proportion of the revenue intended to fund capital projects as day-to-day expenditure. The decline in capital expenditure affected the investment in infrastructure and medical equipment and increased the maintenance backlog by 48.8% to GBP 6.5 billion between 2014–2015 and 2018–2019 (NAO, 2020a).

The NHS faced the pandemic with insufficient resources in relation to bed capacity, staff, and medical equipment. Problems related to bed shortages were revealed when the government released additional expenditure for the creation of seven Nightingale

hospitals to accommodate COVID-19 patients. The NHS also addressed the insufficiency of bed capacity by promoting early discharge of patients to care home facilities and postponing elective care. Although the discharging of patients reduced the immediate pressures in the NHS, the latter has been pointed to as a factor that contributed to the deaths of older people in care facilities as these patients were not initially tested to ensure that they were free of COVID-19 (Daly, 2020). Regarding staff shortages, the NHS addressed this problem by inviting retired doctors and nurses to support the service in the fight against the pandemic, allowing final year medical students to graduate earlier to increase staff numbers, and encouraging volunteers to deliver medicines to people in need. In relation to medical equipment, the NHS faced the first wave of the pandemic with a limited stockpile of PPE that accounted for less than 2 weeks' worth of the PPE needed by the NHS and social care settings (NAO, 2020b). The insufficiency of PPE has been associated with the deaths of staff in the NHS and in adult social care settings (Dyer, 2020; Daly, 2020).

The decline in expenditure was even more significant in local government during austerity: it declined by 49% in real terms between 2010–2011 and 2017–2018 (NAO, 2018a). Local authorities faced their budgetary pressures by protecting the expenditure of statutory services over the expenditure of non-statutory services. But even in those relatively protected services, such as adult and children social care sectors, there is evidence that authorities struggled to address increased demand with reduced funding and adopted strategies that may have compromised the quality of care. For example, in the adult social care sector, local authorities reduced the fee paid to private commissioners for each hour of care provided in order to mitigate losses in spending power. This affected the financial stability of some private providers, which addressed their own budgetary pressures by eroding the pay conditions of their workers; a factor that has contributed to retention and recruitment problems in the sector (NAO, 2018b). The adult social care sector faced the pandemic with insufficient numbers of care workers, which affected the capacity of many care homes to overcome the challenges brought on by the pandemic. Recognising the staff shortages in the sector, the government released a campaign in April 2020 to increase staff numbers by 20,000 through targeting returners to the sector as well as new workers who may have been made redundant in other sectors (Daly, 2020).

During austerity, local authorities were under strain to deliver children social care services even though this was the only local service in which authorities continuously overspent between 2010–2011 and 2017–2018 (NAO, 2019). The increased demand for children's services during the pandemic has been related to the increased number of domestic violence incidents as family life became more challenging during lockdowns, and continued to put pressure on the bounded resources of the sector (Foster, 2021). As suggested by Foster (2021), the true cost of the pandemic on children's services is yet to be revealed as authorities have struggled to identify some children in need due to the school closures. The pandemic also revealed problems related to housing shortages and the significant increase in homelessness that occurred over the last decade. In 2020, the government reacted to the homelessness crisis by releasing expenditure to provide temporary accommodation to homeless people as they were considered an 'at risk' group given their living conditions and propensity for health issues. Although the rise in

homelessness during austerity was associated with factors where the government had limited capacity for intervention (e.g. rises in private rents), the government contributed directly to the increase in homelessness through the freeze in the housing benefit (NAO, 2017), and through budgetary reductions that affected the supply of housing in local government and in housing associations.

Decentralisation

The Government pushed for the decentralisation of local government with the aim of increasing local growth and competitiveness. The expectation was that growth in local economies would lead to more people participating in the labour market and consequently to less people depending on the State. During austerity, the Government reinforced the decentralisation of local government through different strategies, such as through cuts in central grants and changes in the funding system of local government. Although the Government allowed local authorities to collect additional revenue from different sources to mitigate the cuts in grants, such as from council taxes and business rates, in 2018–2019, cuts in grants still outweighed the revenue collected from these other sources (Ministry of Housing, Communities and Local Government (MHCLG), 2019).

The government's decision to reduce central grants and to allow authorities to collect additional revenue from different sources had an uneven regional impact in England where urban and northern authorities were the most affected (Gray and Barford, 2018; Centre for Cities, 2019). This is because urban areas often received the largest proportion of their funding from central grants. Furthermore, cities dealing with the legacy of industrial decline or sustained levels of poverty, such as Liverpool, Manchester, Nottingham, and Birmingham, were among the areas with higher proportions of their budgets being reliant on central grants, and therefore among the areas most affected by the cuts. These authorities also faced greater barriers to mitigating revenue losses from central grants due to their reduced reserves, limited sources to generate alternative income, and weaker local industrial mix. Prior to the pandemic, concerns were raised about further decentralising the revenues of local authorities (House of Commons, 2018). Authorities would be allowed to retain a higher share of their business rates (a move from 50% to 75%) but would also experience further reductions in central grants. These concerns were related to the gaps between the authorities' revenues and their communities' needs, the variability in the tax collection capacity across authorities that could further deepen regional inequalities, and the dependency on the market to deliver local services.

The pandemic revealed the negative implications of the government's decision to push decentralisation at a time when the resources of local authorities were bounded. The health crisis of 2020–2021 was experienced unevenly across authorities, and it was the most deprived communities that were most affected. The rates of infections and deaths related to COVID-19 were higher in urban and deprived areas such as London, Birmingham, Manchester, and Liverpool. Given the relatively higher proportions of ethnic minorities living in these areas, ethnic minorities were more likely to get infected or to die from COVID-19 (Kulu and Dorey, 2021). Various factors contributed to the higher infection and death rates of people from lower socio-economic and minority backgrounds, such as their housing conditions and occupational backgrounds, which made

them more exposed to the virus. The economic crisis of 2020–2021 was also experienced unevenly across authorities. Data from the Office for National Statistics (ONS, 2021) show that the regions that had higher average rates of out of work benefit claimants between December 2016 and December 2019 were also the areas that experienced higher rates of benefit claimants in July 2021. These regions were London, the West Midlands, and Northern regions. This reveals that those regions that were economically weaker prior to the pandemic were unable to withstand the economic contraction of 2020–2021. Moreover, those economies that were significantly reliant on industries that temporarily closed during the lockdowns (e.g. food service and transportation), such as London, were amongst those most affected. Similarly, research by Davenport et al. (2020) found that some deprived areas, such as Blackpool in the North West, were highly vulnerable to the health and economic impacts of the pandemic. These areas were not clustered in the north of the country. Nonetheless, the authors found that there were larger numbers of authorities in the South East and in the East of England that were relatively unaffected in both dimensions.

Decollectivisation

The restrictions to collective bargaining during austerity have been related to different factors, such as the decline in trade union density, the implementation of legal frameworks that increased the barriers to strike action, and policy changes aimed at reinforcing the deregulation of the market¹ (Dromey, 2018; Bach, 2016; Grimshaw and Rubery, 2012). For example, trade union density in the UK declined from 26.6% in 2010–2011–23.5% in 2018–2019; there were approximately 239,000 less trade union members in 2018–2019 in comparison to 2010–2011 (Department for Business, Energy and Industrial Strategy (BEIS), 2019). The decline was mainly driven by membership falls in the public sector caused by rises in unemployment and the reinforcement of privatisation and outsourcing practices in this sector. Furthermore, the introduction of the *Trade Union Act 2016* also increased the barriers to the formation and mobilisation of trade unions. The new Act requires a turnout threshold of at least 50% of those entitled to vote to make industrial action valid and that 40% of workers in important public services vote in favour.

The reduced capacity of workers to get organised and to mobilise negatively impacted their living standards, and this was manifested in different ways during austerity. For example, there were approximately 600,000 more people in relative poverty from working households between 2010–2011 and 2018–2019 (Department for Work and Pensions (DWP), 2020), reflecting the government's poor efforts to increase the living standards of the lowest paid workers. This increase in the number of workers living in relative poverty is likely to have been influenced by the pay stagnation in the public sector and by the increasing number of jobs that do not secure minimum hours of work such as self-employment jobs and zero-hour contract jobs. Many low- and middle-income households faced their low pay and reduced hours of work by using their savings and relying on debt. According to the ONS (2019), savings at the household level fell almost every year after 2010, reaching in the first quarter of 2017 the lowest ratio since 1963 at 3.9%, and households' unsecured debt (e.g. credit cards and overdrafts) increased in

real terms by 21.4% from GBP 98 billion to GBP 119 billion between 2012 and 2018. In addition, households' bills debt (e.g. gas and electricity bills) increased by GBP 4.8 billion (34%) between 2010–2011 and 2016–2017 (Lane et al. 2018), reflecting the financial struggles among the lowest-income households who are more likely to hold this type of debt.

Low-income households were significantly impacted by the lockdowns enforced by the government and by the revenue losses in the private sector, which forced many firms to lay-off workers. According to Joyce and Xu (2020), low earners were seven times more likely, in comparison to high-income earners, to work in a sector that was shut down during the pandemic, such as hospitality, leisure and non-essential retail. This evidence is supported by Powell and Francis-Devine (2021), who show that more than 800,000 workers who were paid at or below the national minimum wage worked in the most affected sectors. Furthermore, low-income workers were more likely to be furloughed and less likely to receive a pay 'top up' from their employers, which represented a pay cut for them. Among the lowest-income groups, there is an important proportion who belong to ethnic minorities and therefore, who were affected during the pandemic. Ethnic minorities were more likely to lose their jobs in relation to the white population: in the 3-month period between January–March 2021, the unemployment rate for ethnic minorities stood at 8.9% in comparison to 4.1% for the white population (Powell and Francis-Devine, 2021). The evidence shows that the increased barriers to the formation of collectivities during austerity increased the division between high- and low-income workers in terms of employment protection, secured hours of work and decent pay.

Disintegration

The fragmentation in service delivery was reinforced through different policies during austerity. For instance, in 2011 the government introduced the White Paper *Open Public Services*, with the aim of further decentralising service provision and promoting competition by increasing the participation of private providers. A year later the government introduced the *Health and Social Care Act 2012*, which led to one of the most important reorganisations in the NHS by transferring the commissioning process to more than 200 clinical commissioning groups in an attempt to increase the participation of private providers. The reinforcement in fragmentation has led to complex structures in governance where some private providers have secured a profit by subcontracting the service and by delivering the service through large chains (Hudson, 2016). Although the spending on procurement differs across services, procurement is now visible in most public services and continued to increase as a proportion of total public expenditure in the last decade (Sasse et al., 2019).

During austerity, evidence showed that increased competition and more involvement of private actors in the delivery of services did not always lead to improved outcomes and indeed affected the quality of some services (Sasse et al., 2019; Hudson, 2016). Nonetheless, as shown by Sasse et al. (2019), the picture in terms of the quality of services delivered by private providers is complex and, in some areas, such as in certain health services, it has led to more efficient services. Evidence that emerged during

austerity also showed that an increasing number of high value contracts were granted to private providers, who sometimes failed to deliver. For instance, NHS England signed a 7-year contract for GBP 330 million in 2015 with the private provider Capita to deliver primary care services. In 2016, NHS England stated that Capita had failed to deliver key aspects of the service putting primary care services and patients at risk. In the same year, Capita closed 35 of the 38 support offices it inherited and cut staff numbers from 1300 to 660 (NAO, 2018c).

The pandemic revealed different problems related to the increased fragmentation in the health and adult social care sectors. In 2018, the NHS redeveloped its procurement model and spread the responsibility for the supply of PPE across multiple public and private organisations to reduce costs (NAO, 2020b). The latter decision led to the NHS having a limited stockpile to address the initial demands during the pandemic, as well as difficulties with the distribution of PPE including physical access to the stock and a lack of information on how much PPE each NHS Trust needed (NAO, 2020b). Inefficiencies were also visible in the inability of some private organisations to deliver high value contracts. According to the National Audit Office (NAO, 2020c), 407 contracts were signed in 2020 with 217 organisations to deliver the NHS Test & Trace system (NHST&T) to help prevent the spread of the virus. The majority of these contracts were given to private contractors and 70% were assigned as direct awards. Although the amount of testing capacity was generally aligned with the thresholds established, the number of tests processed daily was generally below the reported capacity and only 66% of the people who came into contact with someone that tested positive for COVID-19 were reached and advised to self-isolate between May and November 2020. In the adult social care sector, the fragmentation of the service made it difficult to pull information from care homes regarding infections and deaths rates, which delayed needed interventions from central government and local authorities. Furthermore, it was difficult to monitor how many workers in social care settings had been offered a COVID-19 test (Daly, 2020).

Discussion

Austerity was born from the need to constrain public expenditure because of the fear that high levels of debt in an economy could crowd out private investment and therefore impact negatively on economic growth. The notion of austerity changed to accommodate the importance of reducing the public sector, so that governments could have more control over inflation rates, and as a way to restrain wage growth in the public sector to restore employment rates. The rich history of labour movements in Britain has shown us the opposition of the working class to expenditure reductions and the need to dismantle the neoliberal state to overcome social inequalities (Tarling and Wilkinson, 1977; Hay, 1996; Bach, 2016). Examples of these labour movements are the public sector strikes of 1978–1979, labelled the ‘winter of discontent’, which took place in opposition to the policy of wage restraint enacted/implemented to reduce inflation and to restore employment rates (Hay, 1996). These labour movements have shown us that the economic and social consequences of public expenditure reductions have not been lived equally, with the working class and the lowest income households bearing the worst outcomes of these decisions. Furthermore, the labour movements have revealed that during periods of state

intervention (through investment and employment regulation) there is greater economic stability and fewer social struggles, and therefore less need for trade unions to mobilise their resources.

The history of austerity has also shown us the important role that public institutions play in the protection of some of the most vulnerable groups in society at different life stages. Indeed, evidence has revealed that periods of sustained investment in the UK have eased different social problems. For example, during the New Labour government, when there were higher levels of public expenditure, child poverty declined and there was more protection for youth through programmes that prevented crime and reduced educational inequalities (Sutherland and Piachaud, 2001; Heath et al., 2013; Grimshaw and Rubery, 2012). Furthermore, the history of austerity has shown us that contrary to neoclassical economic thinking, periods of fiscal consolidation in the UK have been associated with higher unemployment rates, higher levels of national debt as a proportion of GDP, and contractions of nominal GDP, which has had negative implications for the livelihoods of many people (Chick et al., 2016).

At first glance, the expenditure released by the British Conservative Government in 2020–2021 may suggest a shift in the government's position regarding fiscal austerity and the retrenchment of the public sector towards a more paternalistic and solidary position. Yet, this paper argues that there is a need to remain cautious. The allocations of public expenditure in 2020–2021 reveal a continuation of some neoliberal trends that were present during austerity. These are the government's preference for the protection of the market over the public sector, restricted funding to local government (even though many of the deaths occurred in adult social care homes), the exclusion of vulnerable groups from welfare support, and restricted pay growth in the public sector through pay freezes. Three policy decisions are presented below to show that even during 2020–2021, a period of significant economic and social destruction, the UK government continued to embrace neoliberal policies, revealing once again its preference for the protection of the market and its opposition to the development of the welfare state and to the formation of social collectivities. These are the funding allocated to local government, the uplift to the welfare system and the pay freeze in the public sector.

By November 2020, the funding allocated to local government amounted to GBP 7.7 billion (including free school meals), representing only 15% of the expenditure allocated to the NHS (GBP 52.4 billion), and only 12% of the budget allocated to support the private sector in the form of loans, grants, and business rates relief (GBP 66 billion) (Pope et al., 2021). In addition, the budget allocated to local government in 2020 was considerably less than the net revenue reduction of GBP 27 billion that the sector experienced between 2010–2011 and 2018–2019 (Ministry of Housing Communities Local Government, 2019). As shown by the NAO (2021), some local authorities are at risk of financial failure due to funding gaps and low levels of reserves. By February 2021, the government had provided exceptional financial support to four authorities in the form of capitalisation directions (e.g. authorities are allowed to borrow to fund revenue expenditure) and had identified two other authorities where capitalisation directions could also be necessary.² In spite of the evident funding shortfalls in local government, the government announced in the *Spending Review of November 2020* funding reductions for

non-virus-related budgets from 2022–2023 onwards, which will leave these areas with a 3% cut in real terms (Zaranko, 2021).

The uplift of GBP 20 per week (or GBP 1000 a year) in the welfare system was welcomed by people who experienced unemployment and disposable income losses as a result of the pandemic. By November 2020, the expenditure in the welfare system had increased by GBP 8 billion, representing only 12% of the expenditure released to support businesses during the pandemic (Pope et al., 2021). It was also 34% less than the savings of GBP 12 billion that the government estimated it would make from the 4-year freeze in welfare benefits between 2016 and early 2020 (Treasury, 2015). The uplift was only available to recipients claiming the standard allowance of Universal Credit and the basic element of the Working Tax Credit, excluding recipients of ‘legacy benefits’ (e.g. means-tested benefits replaced by the Universal Credit) and other benefits (e.g. extra-costs disability benefits). This decision disproportionately affected low-income households, people with disabilities, and personal carers. Furthermore, the government announced that the uplift will finish by the end of 2021. The latter policy decision is expected to have negative implications for many low-income households and young people who depend on this additional income to fulfil their basic needs (Mackley et al., 2021).

In November 2020 the government announced a pay freeze in the public sector for the year 2021–2022, which will affect those public services whose pay is negotiated through Pay Review Bodies (PRBs).³ The government stated that NHS staff and workers earning below GBP 24,000 would be excluded from this policy. Local authorities are also not directly affected by this policy, but as stated by the Local Government Association, pay rises in local government will be bounded by the funding allocated to the sector (Ferguson and Francis-Devine, 2021). Initially, it was proposed that pay for NHS workers would increase by 1% but in July 2021 the government announced a pay increase of 3% for NHS staff. The pay increase of 3% was made possible after months of threats from the main trade unions of possible strike action and general support from the public for a higher pay increase. The government stated that the rationale behind the pay freeze was that it could not justify a pay increase in the public sector whilst the wages in the private sector were declining (Ferguson and Francis-Devine, 2021). However, the government left out of its discourse that public employees had only started to experience wage increases in real terms in 2018, when the 1% pay cap was lifted.

It is economically and socially dangerous to continue embracing neoliberal policies disguised as releases in public expenditure. The political decisions regarding the allocations of public expenditure during the pandemic could further accentuate social injustices and socially exclude some of the most vulnerable groups in society. Furthermore, the budgetary decisions made in 2020–2021 reveal that the British government is still embracing an economic system that prioritises the interests of elite society, of those who have the capacity to produce and invest in the economy and is less concerned with protecting the interests of the working class and people who are dependent on state support. Even after such a disastrous event as was the COVID-19 pandemic, we can see that history is repeating itself, and that the neoliberalist ideology is so institutionalised that it is difficult to depart completely from it. This, however, does not mean that nothing can be done. The COVID-19 pandemic was a devastating event, but it has given us the opportunity to imagine the kind of society in which we would like to live, and to press

governments for this, so that we do not have to experience again the horrendous social outcomes that we lived in 2020–2021.

Conclusions

This article showed that four trends that were reinforced during austerity were a precondition for many of the struggles observed in 2020–2021. These trends were disinvestment, decentralisation, decollectivisation and disintegration. The COVID-19 pandemic occurred by chance, but its uneven impact did not. A decade of austerity reduced the capacity of the state through budgetary reductions, the increased participation of private actors in the provision of services, and decentralisation strategies that placed more responsibility on local government for the collection of revenues to deliver local services. Moreover, austerity reinforced class divisions by restricting the access of low-income groups to public services, increasing the barriers of low-income workers to getting organised and demanding fairer wages, and leaving deprived authorities with less resources to protect their communities. Furthermore, austerity reinforced the North-South divide. Northern regions, which concentrate larger numbers of deprived authorities, were disproportionately affected by the cuts in central grants and by their limited capacity to increase their revenues from other sources given their composition of businesses and households. In short, austerity disproportionately affected those citizens who are perceived as ‘less deserving’ because of their dependency on the welfare state for the fulfilment of some of their most basic human rights such as food and housing.

The British government did the right thing when it released public expenditure during the pandemic to protect the NHS, jobs, and livelihoods. However, this cannot and should not be the only step taken by the government to secure social development. As shown above, some of the expenditure decisions taken by the government in 2020–2021 could further deepen social class divisions and regional inequalities. More is needed from the government to tackle social inequalities, to protect some of the most vulnerable groups in society, and to ensure fair employment conditions. The pandemic revealed the much-needed intervention from the government for the development of a more equal and integrated British society. This intervention is needed in different forms such as through high levels of investment in the public sector, regulatory frameworks that provide more protection to the working class, the adequate redistribution of public resources, progressive taxation, and a more robust welfare system. We learnt in 2020–2021 that the implementation of policies that prioritise the market over the welfare state undermine social protection and reinforce different societal problems. In order to emerge from the pandemic crisis as a more integrated and fairer society, it is necessary that the British government departs from a neoliberal agenda and engages in the development of policies that work for everyone in society.

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Notes

1. An example is the amendments to the Transfer of Undertakings (Protection of Employment) (TUPE).
2. The Department has not disclosed information about the four authorities that have been placed under capitalisation measures. The two authorities that may receive support through these measures are Nottingham City Council and Croydon Council.
3. PRBs take evidence from different stakeholders and make recommendations to the government about pay.

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