A Welfare Perspective
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I am going to begin by talking about risk, rather than talking about welfare. Not risk in the formal sense, like gambling, but thinking about risk much more holistically. There are lots of examples of risk that we face in life, they might be shocks to our employment or to our health. However, there are also risks inherent in being born in a disadvantaged area, or family, or attending a poorly performing school, and when economists think about risk, we think very holistically in this sense.

The nature of these risks, and the shocks that people face, has been changing over time; the impact of technology on the labour market, on healthcare, and on education is just one example of this. And the way in which we, as a society, insure ourselves against these risks is also changing over time. The welfare state is a different size than it used to be, and it is working in a different way. But there are other ways that risk is shared, for example in families, and that is changing too. The nature of the family is changing, the dynamics of the family are changing, and the inter-generational family is changing. Of course, these changes are probably in part a response to the changes in underlying risks, and to the changes in the welfare state. And as individuals, we can also take action to insure ourselves against risk. We can do this formally, for example by saving for retirement or buying an insurance policy, but we can also invest in education or training that provides us with human capital and allows us to deal with future shocks in the labour market.

These three levels of insurance – the welfare state, the family, and the individual – interact so that we can insure ourselves against risk. Added to that, we have formal institutions, such as regulatory bodies or the judiciary, which are playing a role that needs to be taken into account.

This is not to say that the Foundation's research interests within its welfare domain are all about risk and insurance - although those would be very interesting perspectives to consider if you are putting in an application. My point is more that the holistic consideration of the risks that people face over the course of their lives, and the insurance that they get, is really the way in which we should be conceptualising our understanding of the distribution of individual and household welfare. It gives us a perspective on welfare that allows us to link areas such as social care costs in later life, unemployment insurance and disability benefits in mid-life, and pension policies in preparing for retirement. And it allows us to make the connections between early-life disadvantage, education, training, the evolution of skills and human capital, family dynamics and then welfare outcomes in later life. Arguably, thinking about welfare in terms of risk and insurance also gives us a link into the way we think about broader issues, such as the aims of the justice and regulatory systems. If the market is doing much more, then how can or should we regulate the market to ensure that it is not creating adverse outcomes for the people who cannot deal with the risks entailed in it? And how should the judicial system react in terms of redress as the consequences of individual or family decisions on welfare become less insured by the state?

So our emphasis in creating this new welfare domain within our research portfolio is really about bringing together existing funding areas under one umbrella, and to recognise the fundamental nature of the way in which these things are linked. We hope this will create greater coherence, both for applicants, and for users of our research, who can say: "Ah, yes, I can see how these things are linked."

When we say welfare, we do not just mean the welfare state or the welfare system. We have to think of all types of individual behaviours and family structures that impact on living standards, in the broadest possible terms. And we are not concerned solely with any single outcome measure of living standards, whether this is income, wealth or subjective wellbeing. We might be thinking equally about consumption, expenditures, employment, earnings, or housing. Different types of welfare outcomes may be more or less appropriate for different types of question.

In creating the new welfare domain we are bringing together our existing interests in, for example, the labour market and ageing, in order to join up these issues across the life-cycle. So joining up employment and productivity with earlier life issues such as childhood circumstances, education and skills, adolescence, and family dynamics, and in turn joining up with later life issues such as pensions, social care and bequests. And arguably, this more holistic focus on welfare, as well as creating internal coherence within our research portfolio, allows us to link it better to what we are funding in our other domains of education and justice.

The questions we are asking are not at all new, either to the research and policy community, or even really Nuffield as funders of policy-focussed research. But by changing the way in which we conceptualise them in our portfolio, we hope to make our offer more coherent and to be more nimble in what we fund. What do I mean by nimble? I mean that by having a more holistic approach focused on the fundamentals, it allows us to change with the times without having to change the pots in which our applicants need to bid. So that, for example, whatever the latest well-being measure people decide is important will fit into the welfare agenda in the way that it might not have fitted into a more narrow finances of ageing, or economic disadvantage theme. It should also allow us to exploit better some of the cross-cutting themes elsewhere in the strategy, for instance the role of technology, which is relevant both in the classroom and the labour market, as well as in the way people engage with financial planning and in the health-care system. And finally, consolidating several of our funding priorities within a broad welfare domain allows us to have an agenda within which we can grow and shrink elements according to the demand and supply; the demands of policy makers, the supply of data or researchers.

Of course it is a challenging agenda, in this welfare domain, particularly when you take a holistic approach. But if you have up to £70 million to spend over the next five years, then you ought to be asking yourself some difficult questions. And it is the difficult questions that are important when we consider the evolution of the distribution of living standards, and what can we do about it. And for me, that is fundamentally associated with the idea of which risks people face, and what mechanisms they have in society to deal with those risks.