

THE BLAIR GOVERNMENT, POVERTY, AND SOCIAL EXCLUSION IN THE UK: POLICIES AND PROSPECTS

John Hills

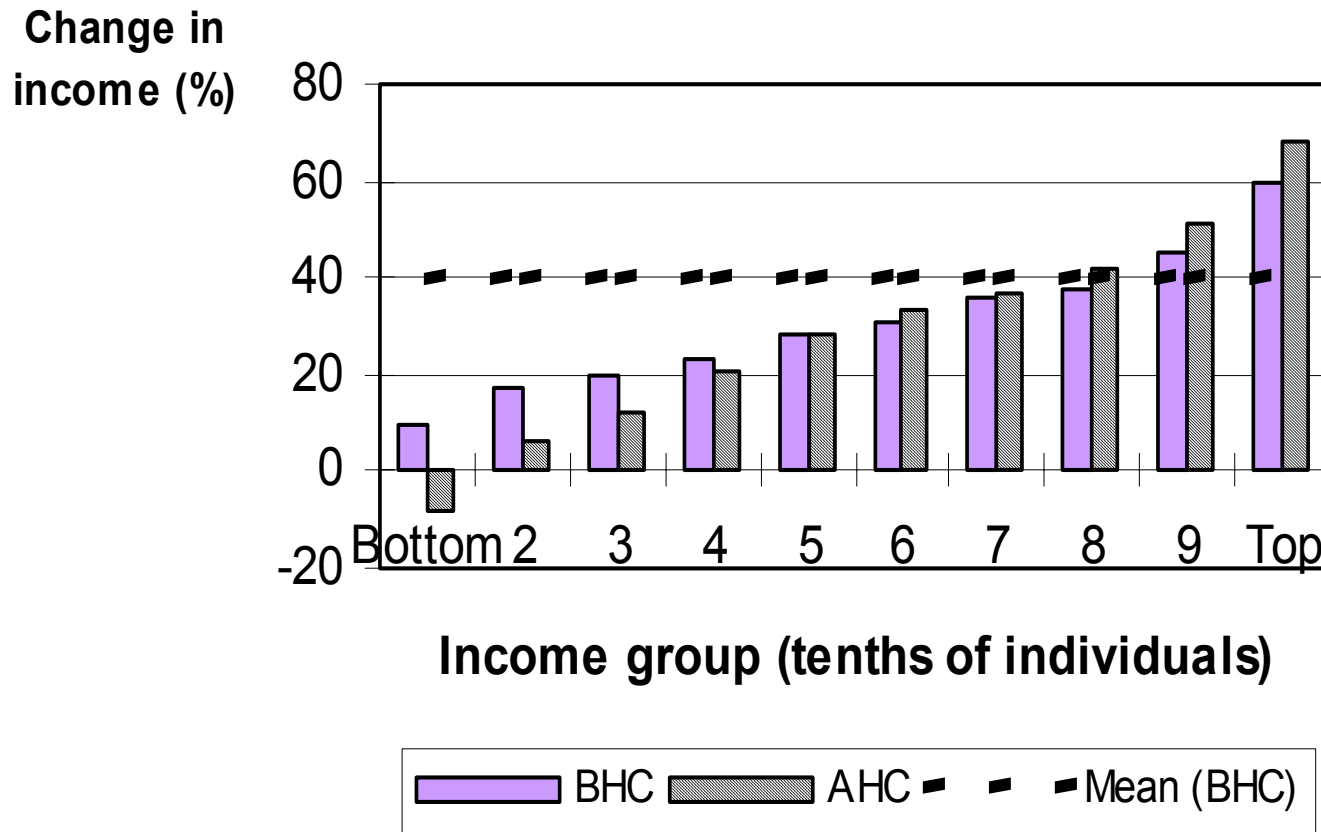
ESRC Centre for Analysis of Social
Exclusion, London School of Economics

Milan, 25 March 2003

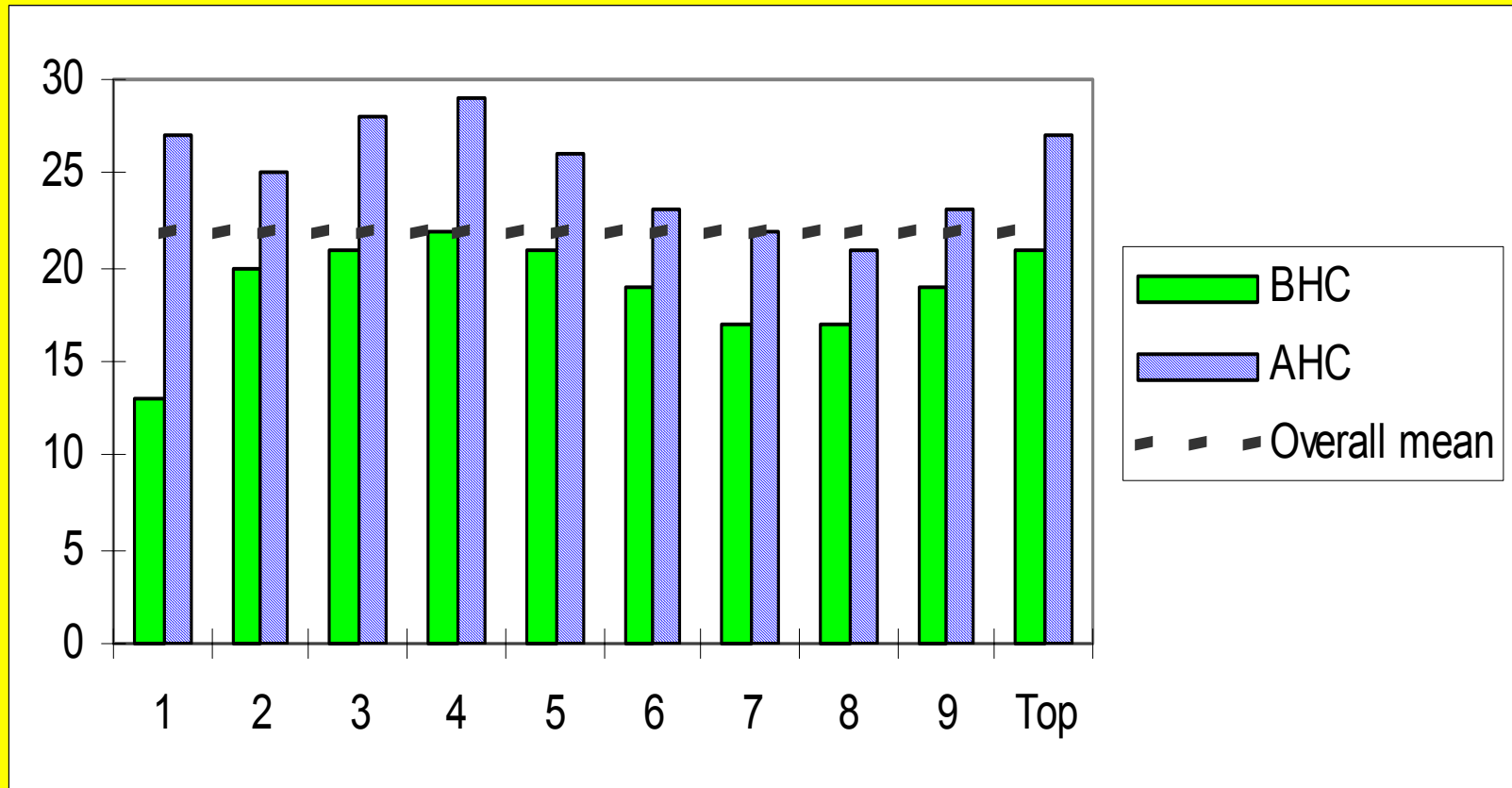


- Background: Trends in UK inequality and poverty
- Changes in tax and cash benefit structure since 1997 and their impact
- Other policy changes
- Policy and public attitudes

Change in real net income 1979 to 1994/5 (%)



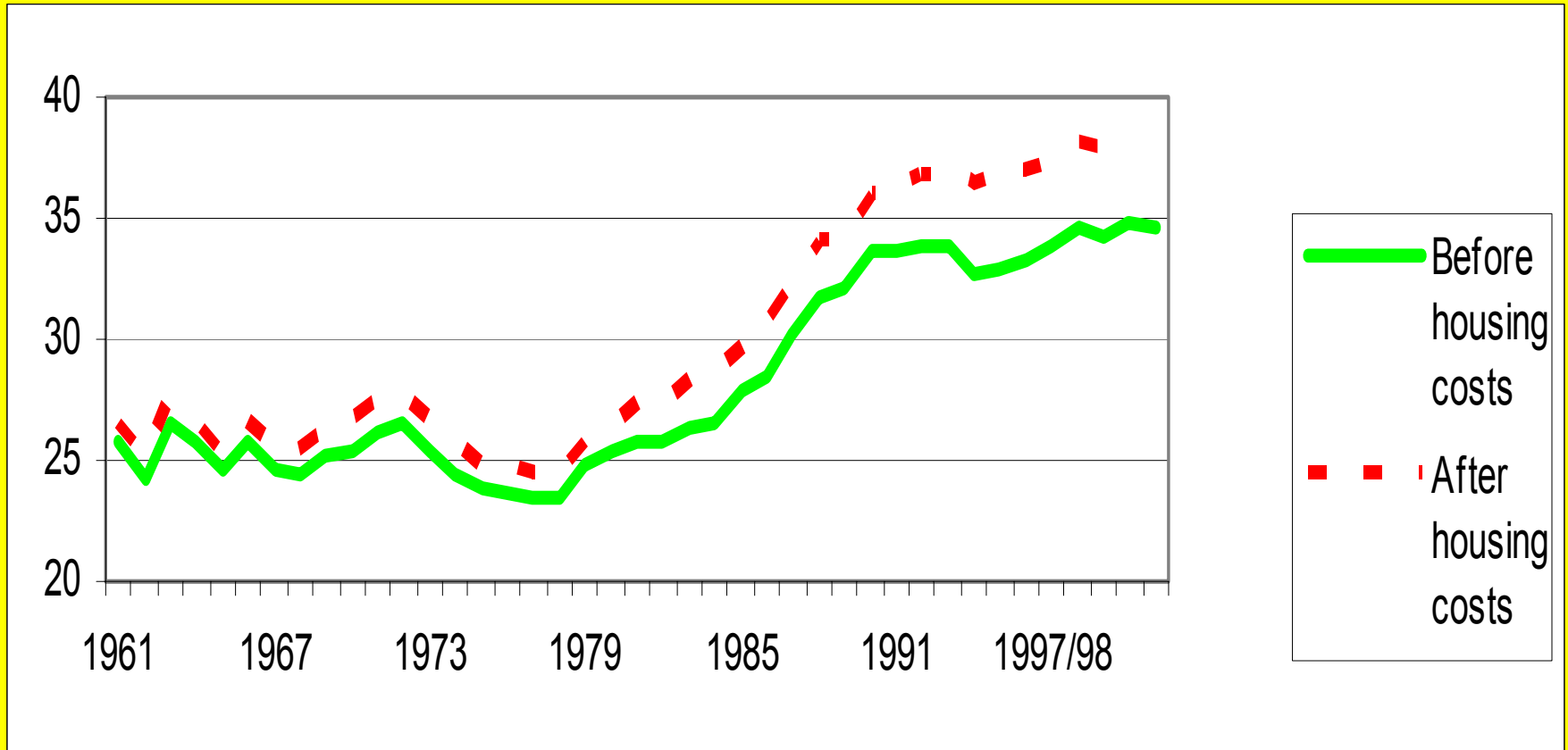
Change in real net income 1994/5 to 2001/2 (%)



Source: DWP (2003)



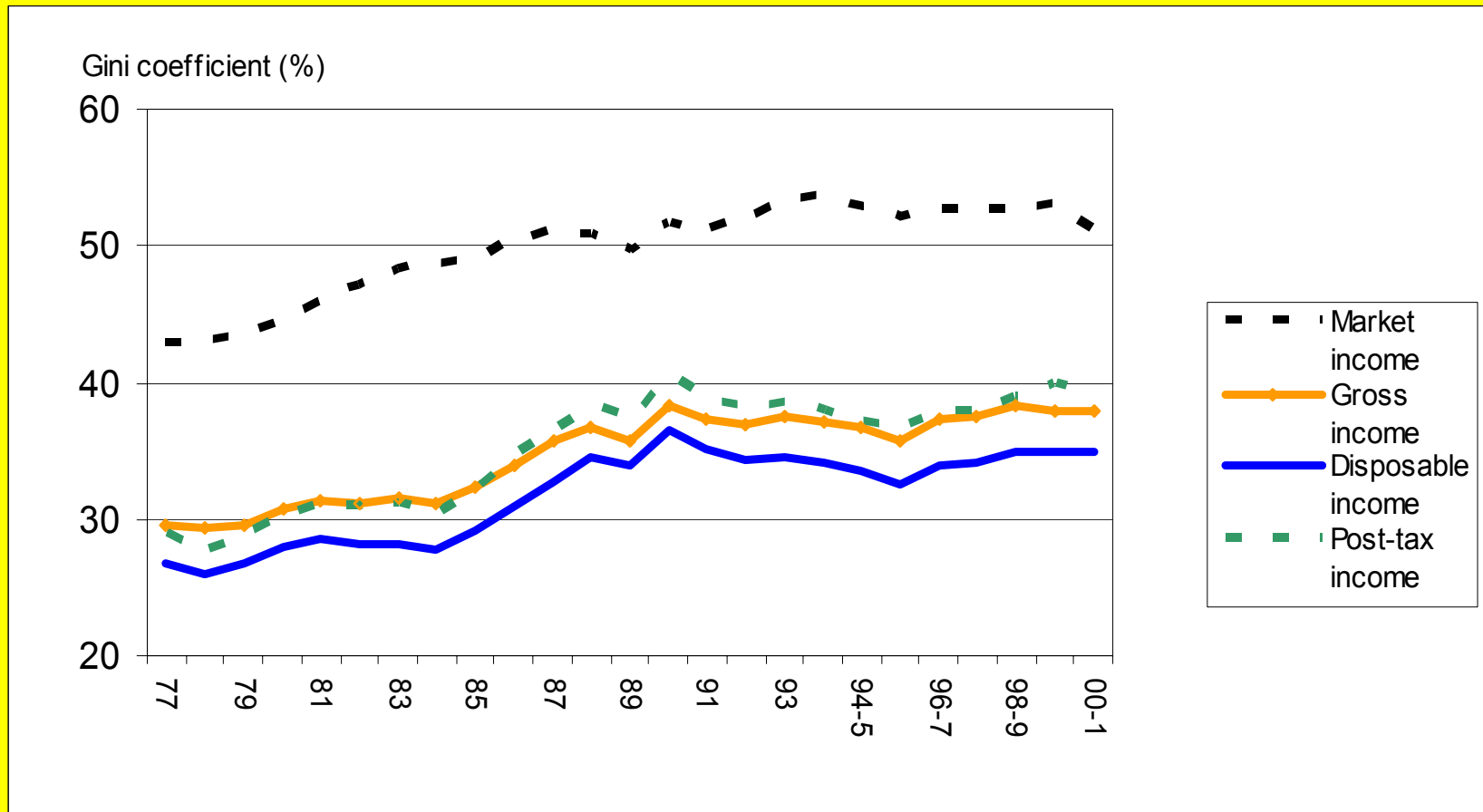
Trends in UK income inequality (Gini coefficients (%)) 1961-2001/2)



Source: Institute for Fiscal Studies



Effects of Taxes and Benefits on UK Inequality 1977 to 2001/2

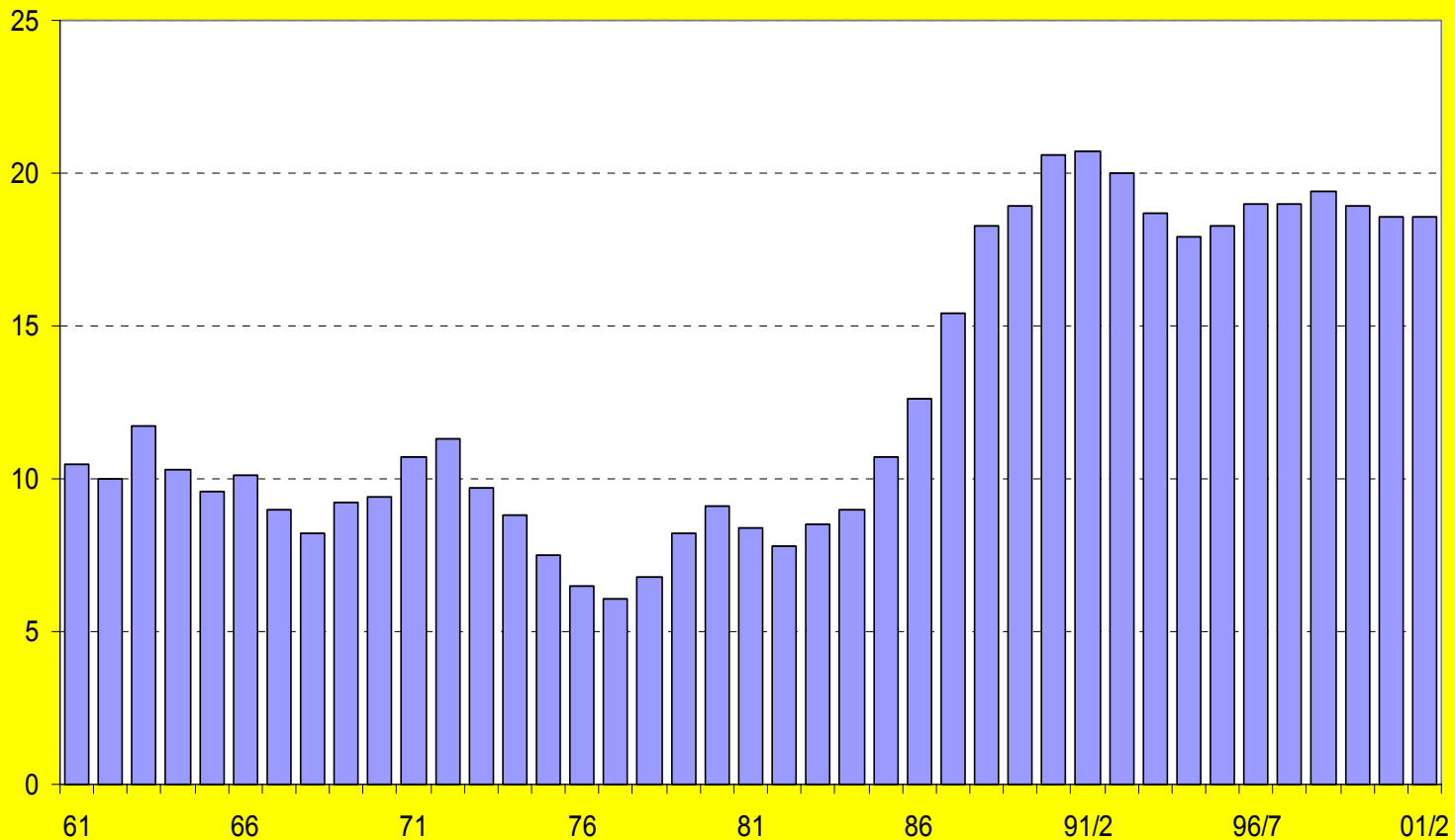


Source: Office for National Statistics



UK Population Below Half Average Income 1961-2001/2

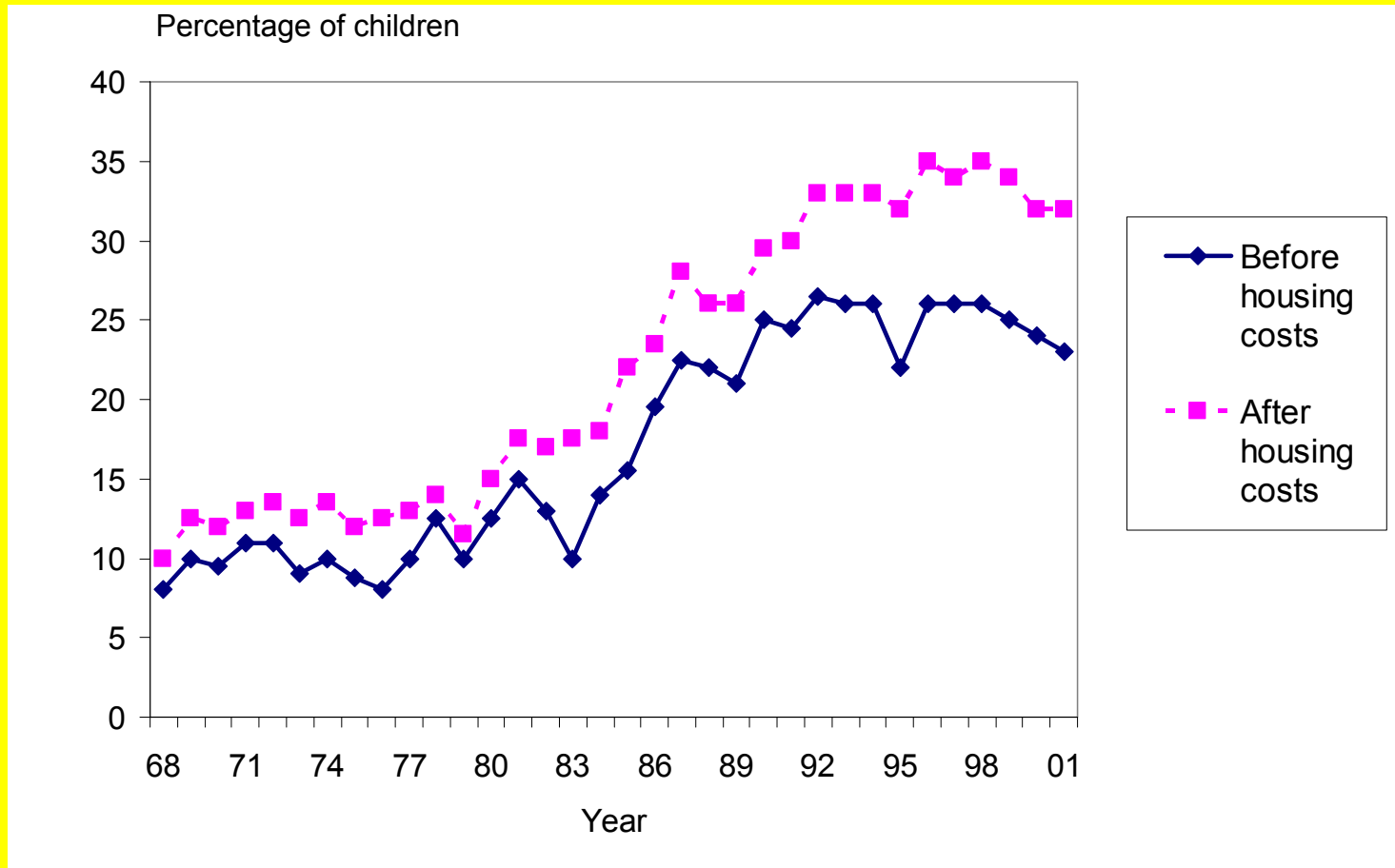
% of total population
(individuals)



Source: DWP (2003) Incomes are before deducting housing costs

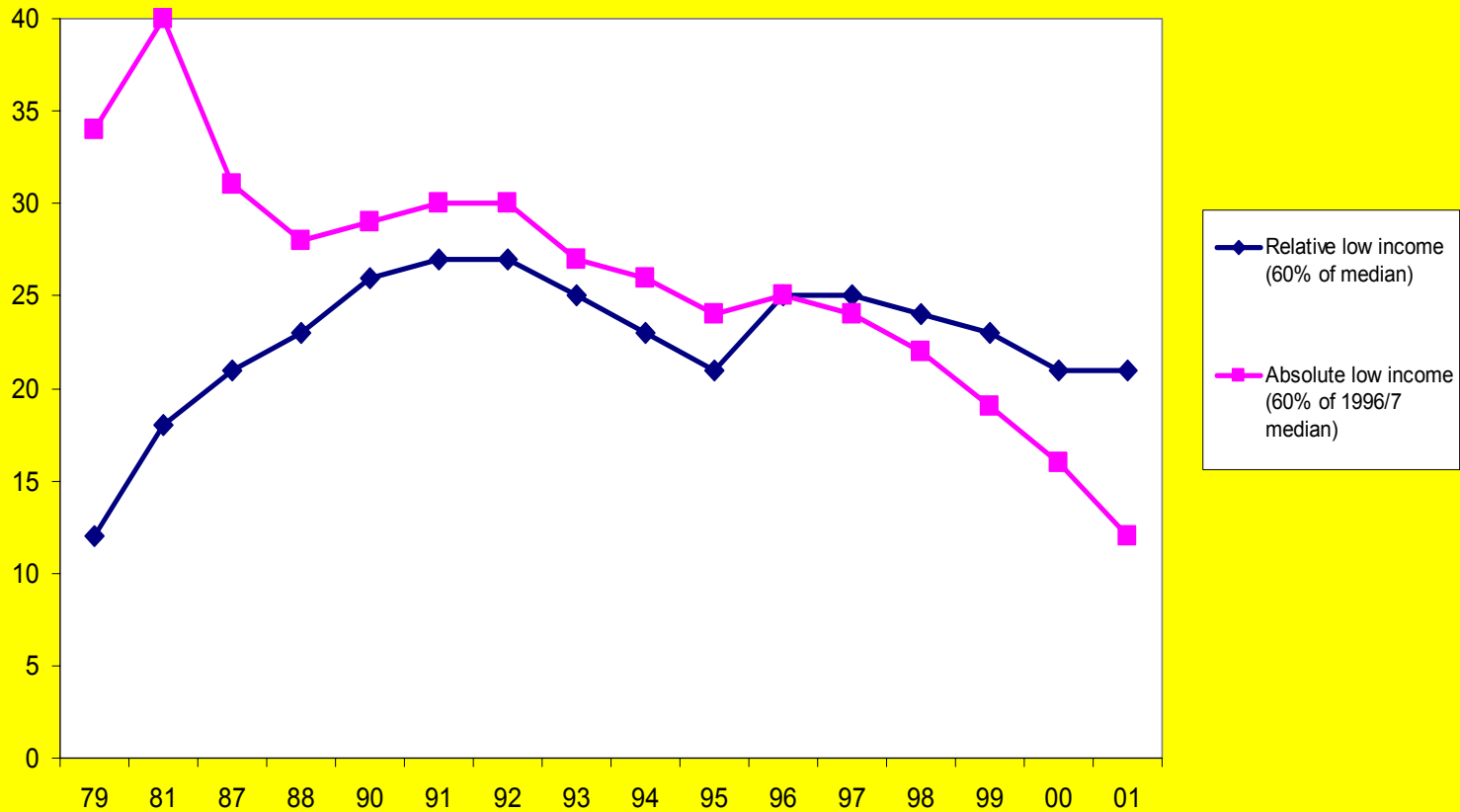


Children in families below half average income (%), 1968-2001/2



Source: Gregg Harkness and Machin (1999); DWP (2003)
for figures from 1995/6 (financial years)

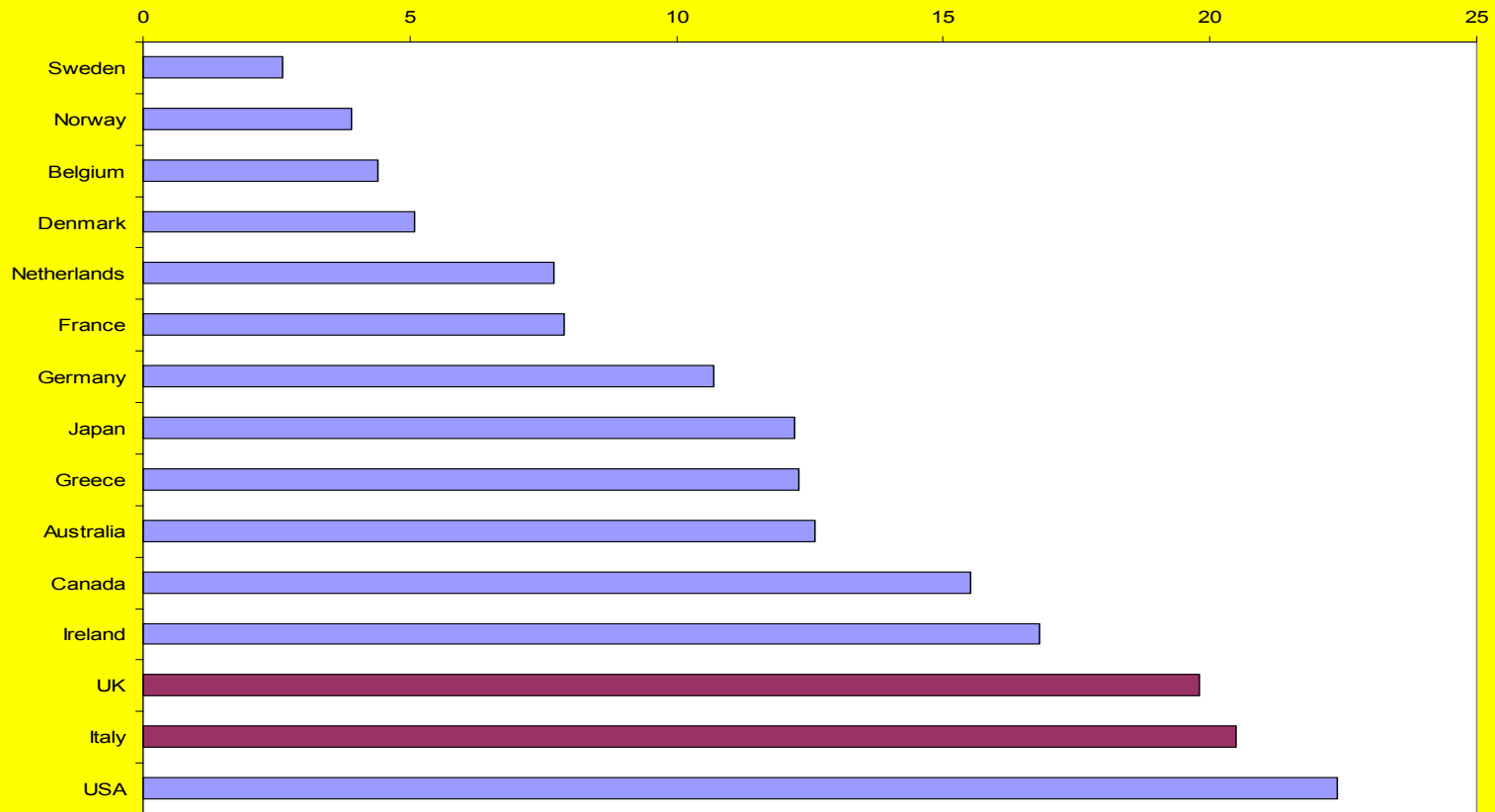
Children in families with low incomes in relative and absolute terms (%)



Source: DWP (2003), tables H2 and H6 (BHC), FRS figures from 1994/5



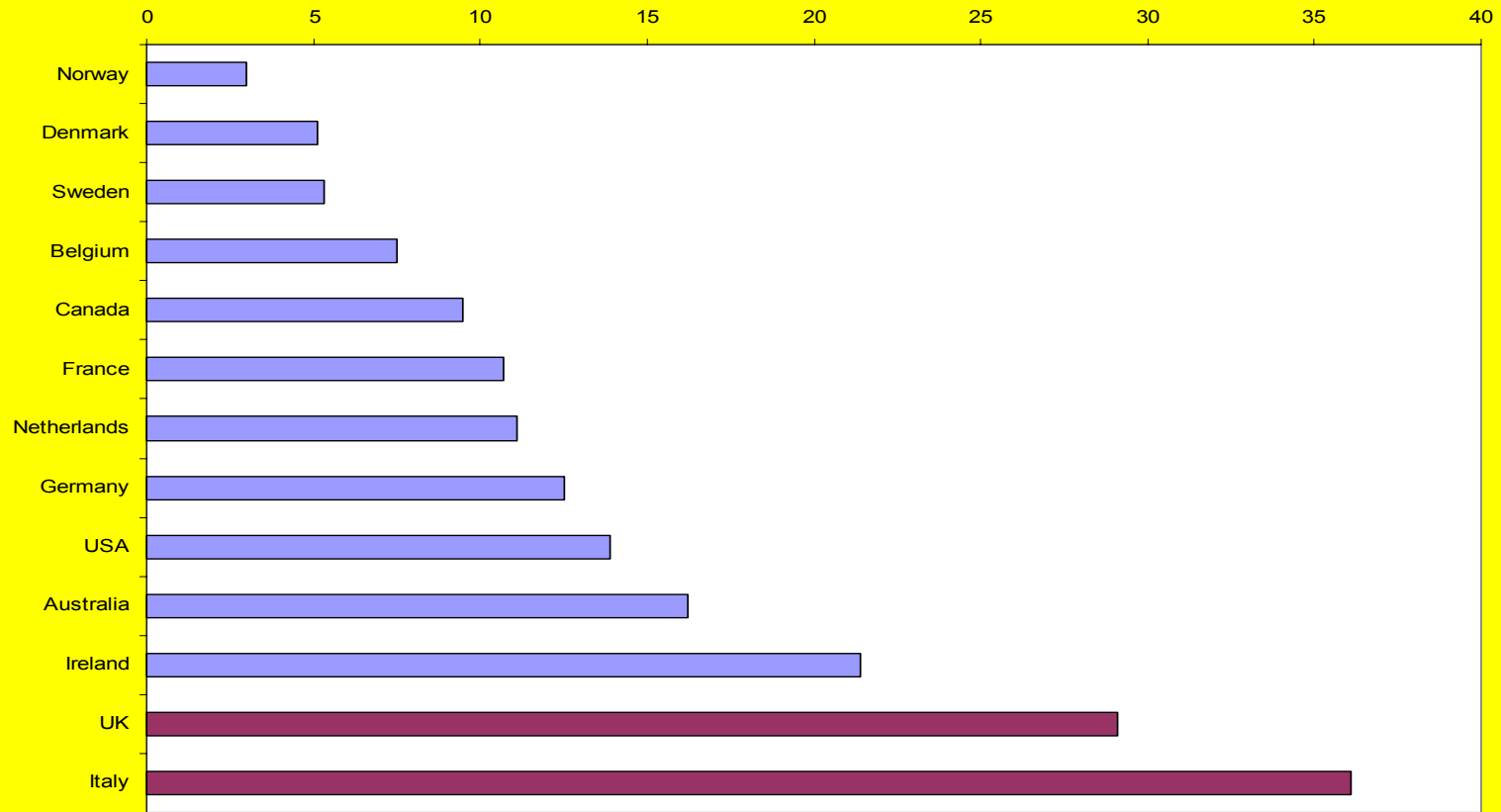
Child poverty rates: Relative incomes % below half-median income, mid 1990s



Source: UNICEF (2000)



Child poverty rates: Absolute incomes % below US official poverty line at PPPs



Source: UNICEF (2000)



“ I believe in greater equality. If the next Labour Government has not raised the living standards of the poorest by the end of its term in office, it will have failed.” (Tony Blair, July 1996)

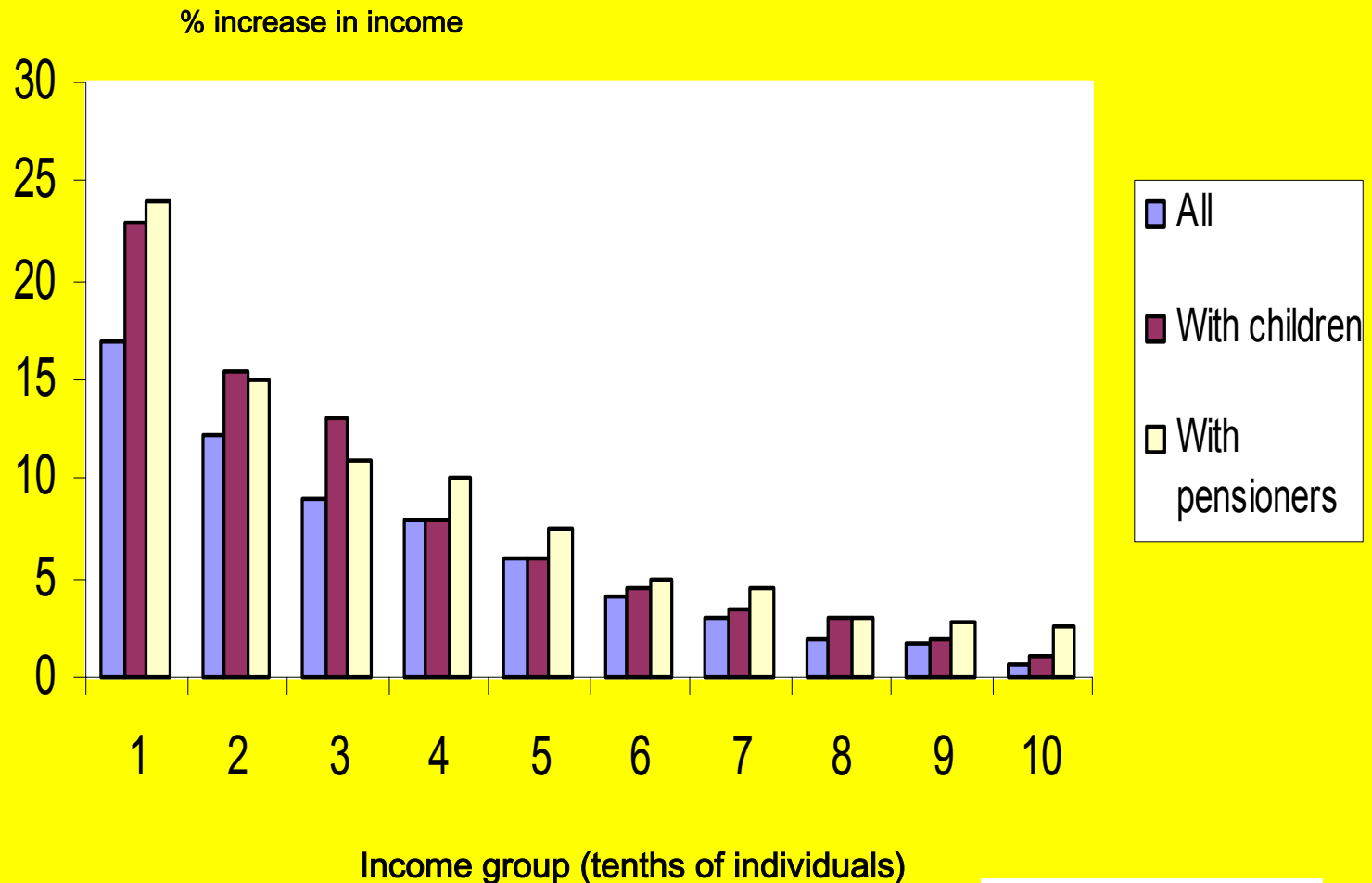
“ Our historic aim will be for ours to be the first generation to end child poverty. It is a 20 year mission, but I believe it can be done.”
(Tony Blair, March 1999)



Tax / Benefit Changes 1997-2002

- Benefits generally price-linked, but big exceptions
- Universal Child Benefit up (Married Couples Income Tax Allowance abolished)
- Lower National Insurance Contributions for low paid
- More generous tax credits for low paid in work
- Big increase in social assistance allowances for children under 11
- Special additions for lone parents phased out
- Minimum wage
- Social assistance for pensioners increased and earnings-linked
- Flat rate state pension price-linked, but real increases in 2001 and 2002

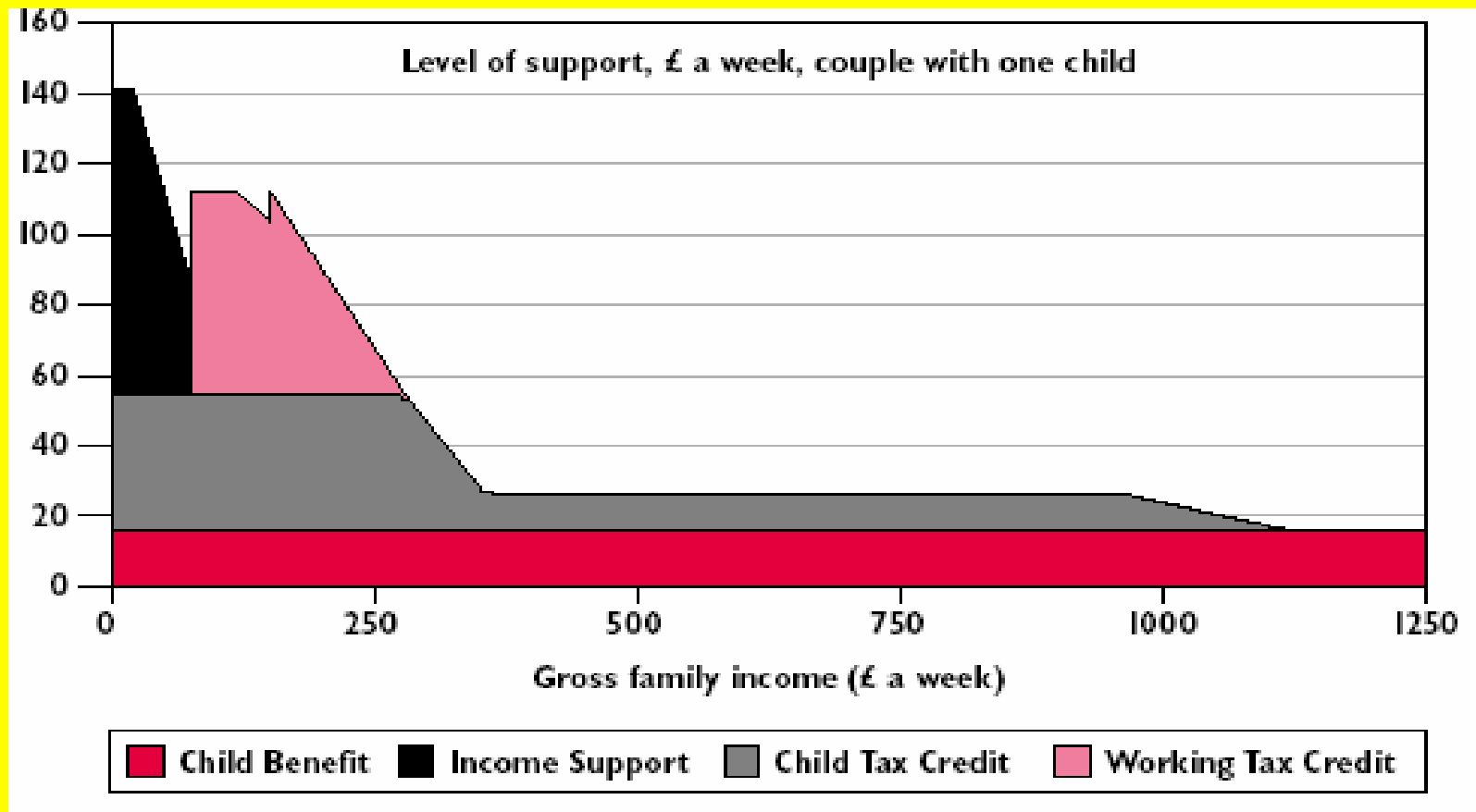
Impact of Budgets 1997-2001: proportional changes in income



Tax/Benefit Changes, 2003

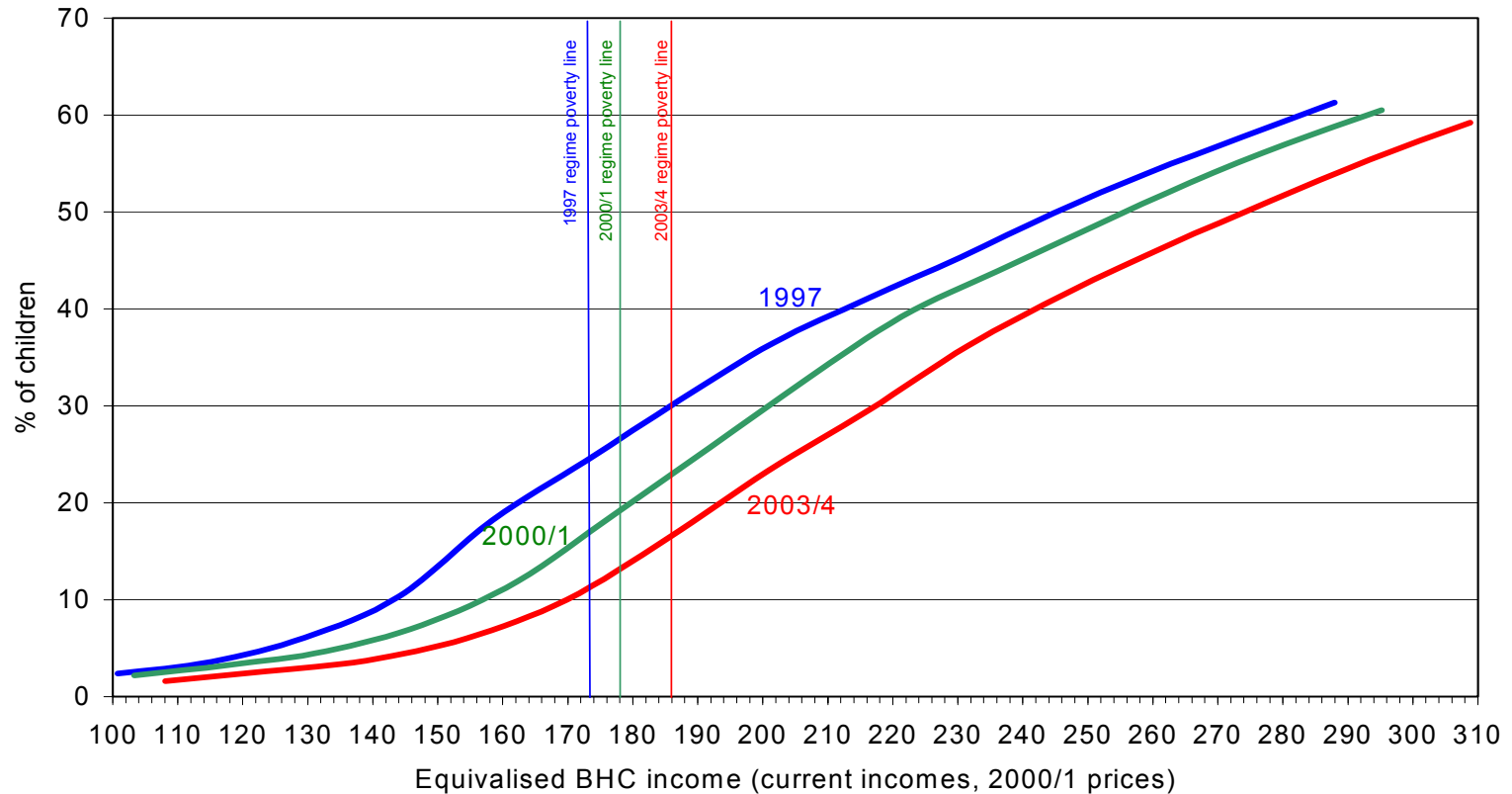
- Higher National Insurance Contributions in April 2003 to pay for higher health spending
- Tax credits and social assistance allowances for children amalgamated into single 'Child Tax Credit' of equal value out of work and with low paid work
- 'Working tax credit' for all adults in low paid work (over 16 hours per week)
- New assistance for pensioners just above social assistance levels in 'Pension Credit'

Support for children through the tax and benefit system from April 2003



Source: HM Treasury

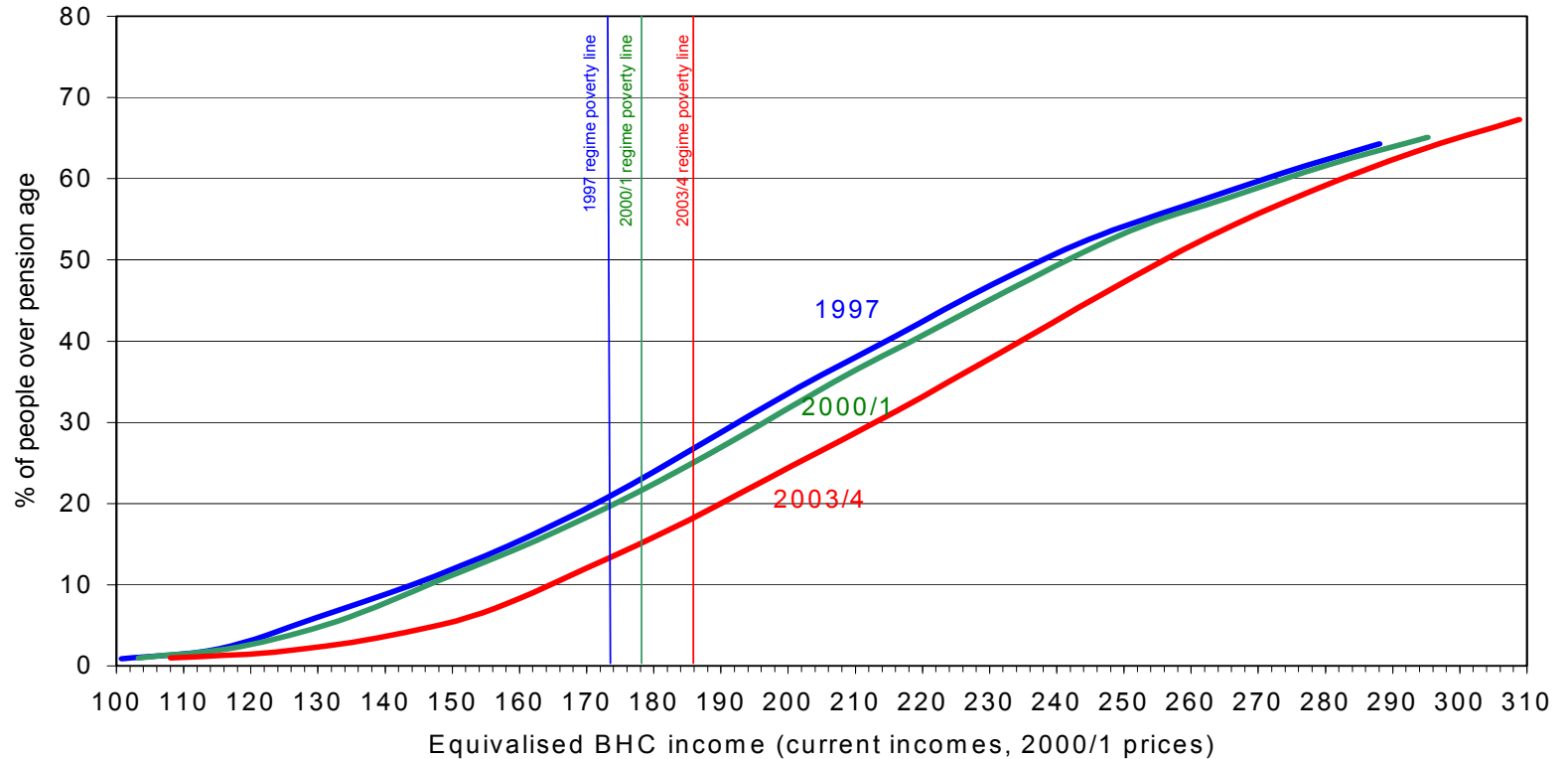
Projected child income distribution, 1997, 2000/1 and 2003/4



Source: Microsimulation Unit, Cambridge University



Projected pensioner income distribution, 1997, 2000/1 and 2003/4



Source: Microsimulation Unit, Cambridge University



Modelled impact of policy and other income changes 1997-2003/4

(% with incomes below 60% of median)

	Before housing costs			After housing costs		
	All	Children	Pensioners	All	Children	Pensioners
April 1997	18	24	21	24	33	27
April 2000	16	19	21	23	30	26
October 2003	14	16	18	19	25	15

Source: Microsimulation Unit, Cambridge University



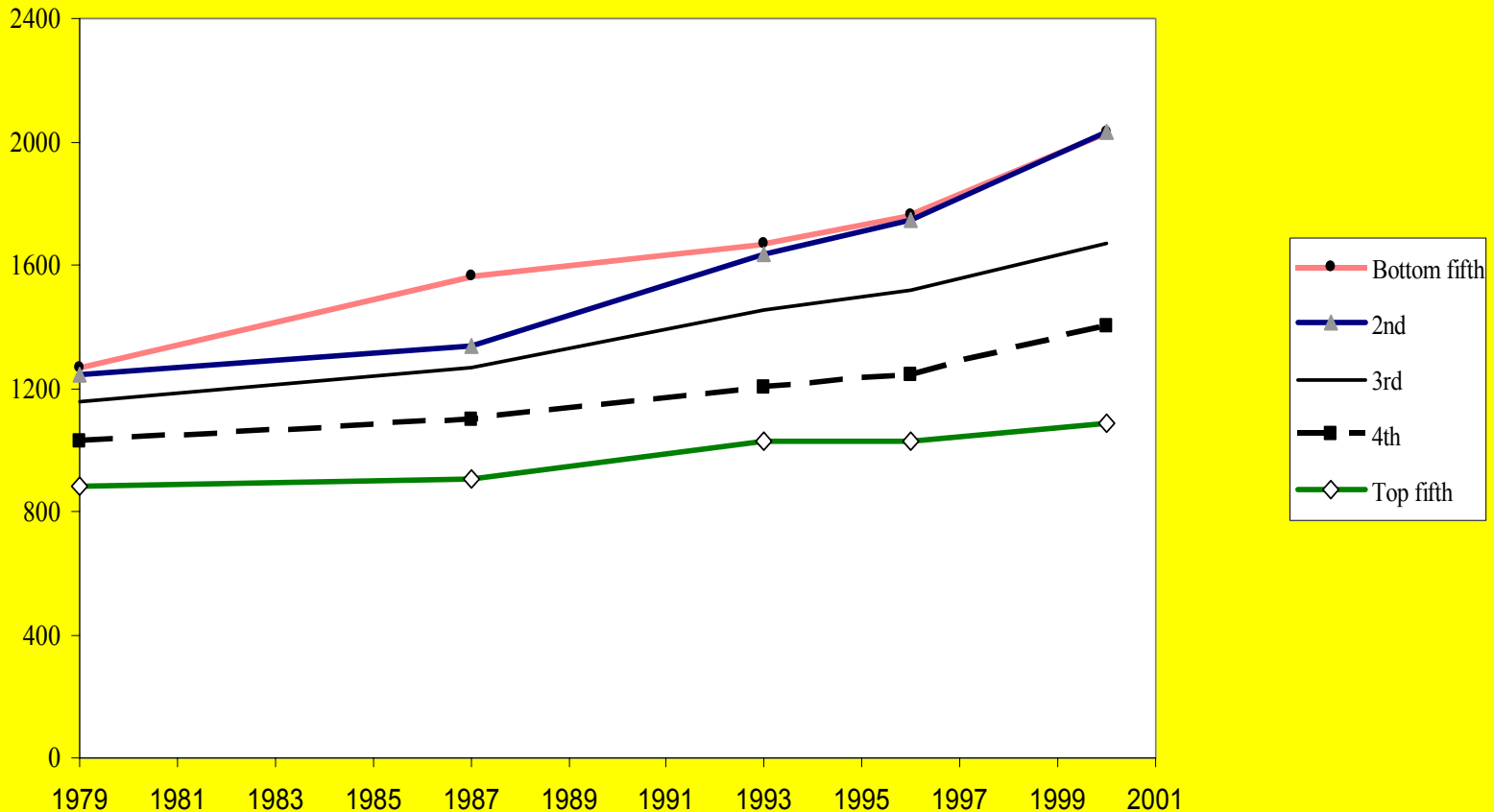
Other policy changes since 1997

- Focus on 'social exclusion', but 'inclusion' sometimes seen as paid work?
- New Deal 'Welfare to Work' measures
 - Under 25s (biggest)
 - 25 – 50
 - New Deal for Lone Parents
- National childcare strategy and increased spending
- 'Social Exclusion Unit'. Reports on:
 - Street homeless
 - Young people: out of school; teenage pregnancy; runaways; 16-18 year olds not in work, education or training; leaving official care
 - National Strategy for low income neighbourhoods

- Area-based policies:
 - Education and Health Action Zones
 - 'New Deal for Communities'
 - Sure Start: Early years intervention
- Tight constraints on public spending 1997-99
- Public spending on health and education rising as share of GDP (3.1 percentage points more in 2005-6 than 1996-7)
- Focus on school performance, particularly basic skills at primary level

Value of social spending (health, education and housing) by income group, 1979 to 2000/01

£s per person (in 2000/01 prices)



Source: Sefton (2002)



Trends in Indicators of 'Social Exclusion' in Recent Years

- Out of 49 indicators, 24 had 'improved', 19 were 'steady' and 6 had 'worsened' in recent years up to 2002.
- Comparable figures in 1998 were: 18 'improved', 11 steady and 14 'worsened'
- Recent improvements in dependence on social assistance; children in workless households; school exclusions and exam performance; low pay; burglary rates; housing conditions
- Recent worsening in children in young offender institutions; problem drug use; obesity; winter deaths of elderly.

Source: New Policy Institute (1998; 2002)



Summary: Key features of policy since 1997

- 'Selective universalism' and a patchwork assault on poverty
- Combination of tax/benefit changes and measures against long-term disadvantage
- No across-the-board benefit increases
- No use of word 'redistribution'; pledge not to raise income tax rates
- Lack of concern over inequality at the top
- Work-based strategy for unemployed
- Child poverty abolition target – in relative terms until 2004, at least

- More generous mix of means-testing, universal benefits and affluence testing for families with children
- Cuts in some disability benefits and for some lone parents
- Conditionality for benefits: e.g. work-focussed interviews
- Tax cuts for low paid
- Minimum wage and wage top-ups for low paid with children (and without from 2003)
- Increases in social assistance for pensioners with Pension Credit to come. Reluctance to raise universal basic pension.

Public attitudes: The tax/spending trade-off

	1983	1987	1991	1995	1998	2001
Higher tax/more health, education, social benefits	32	50	65	61	63	59
Status quo	54	42	29	31	32	34
Lower tax/less health, education, social benefits	9	3	3	5	3	3

Source: *British Social Attitudes Survey*



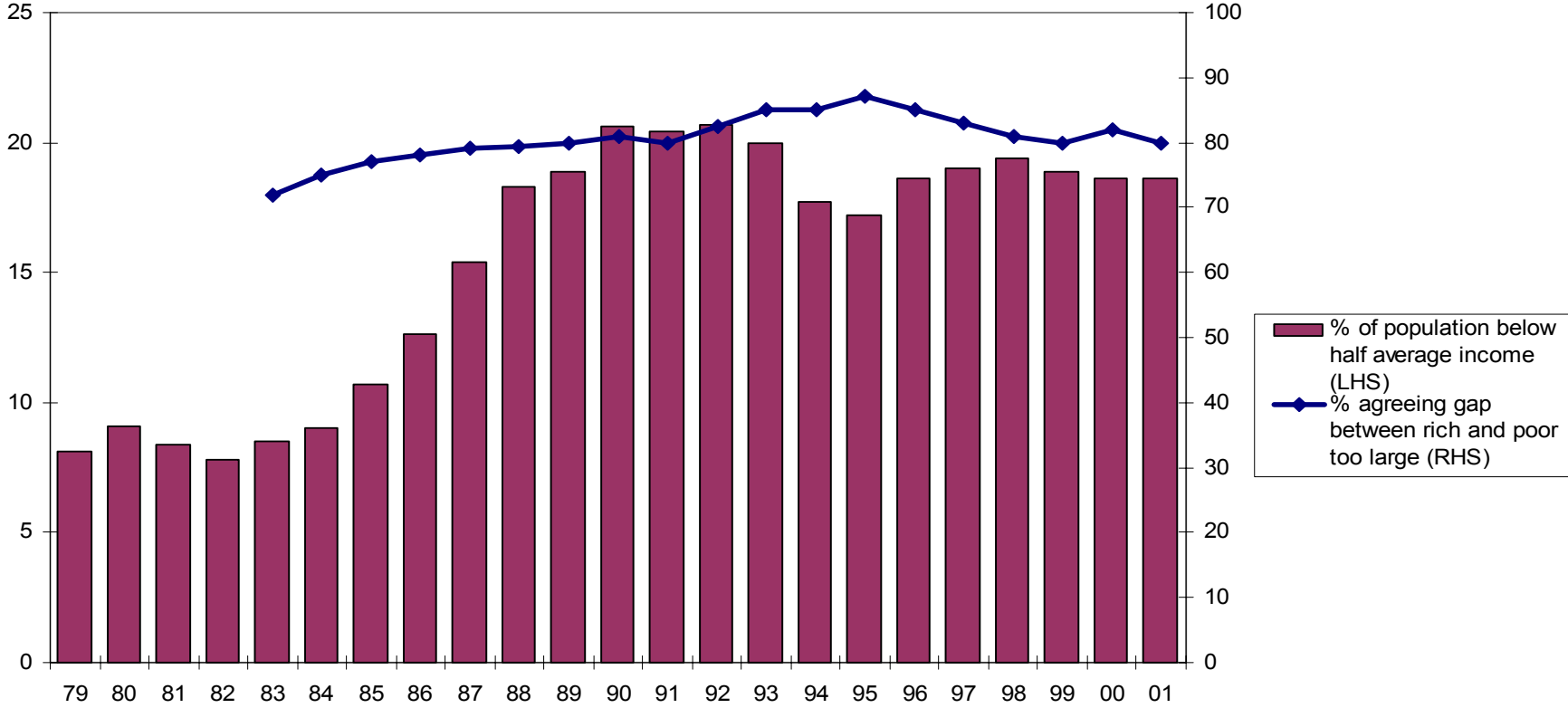
Priorities within social benefits

	1984	1990	1993	1996	2000
Retirement pensions	43	42	42	50	52
Child benefits	9	17	14	12	14
Unemployed	18	8	16	11	5
Disabled people	21	24	20	19	21
Single parents	7	7	7	6	7

Source: *British Social Attitudes* survey



Relative poverty and British public attitudes



sources: Goodman and Webb (1994); DWP (2003) and earlier; *British Social Attitudes Survey*



On the whole should it be the government's responsibility to reduce income differences between the rich and poor.....?

Definitely 39

Probably 34

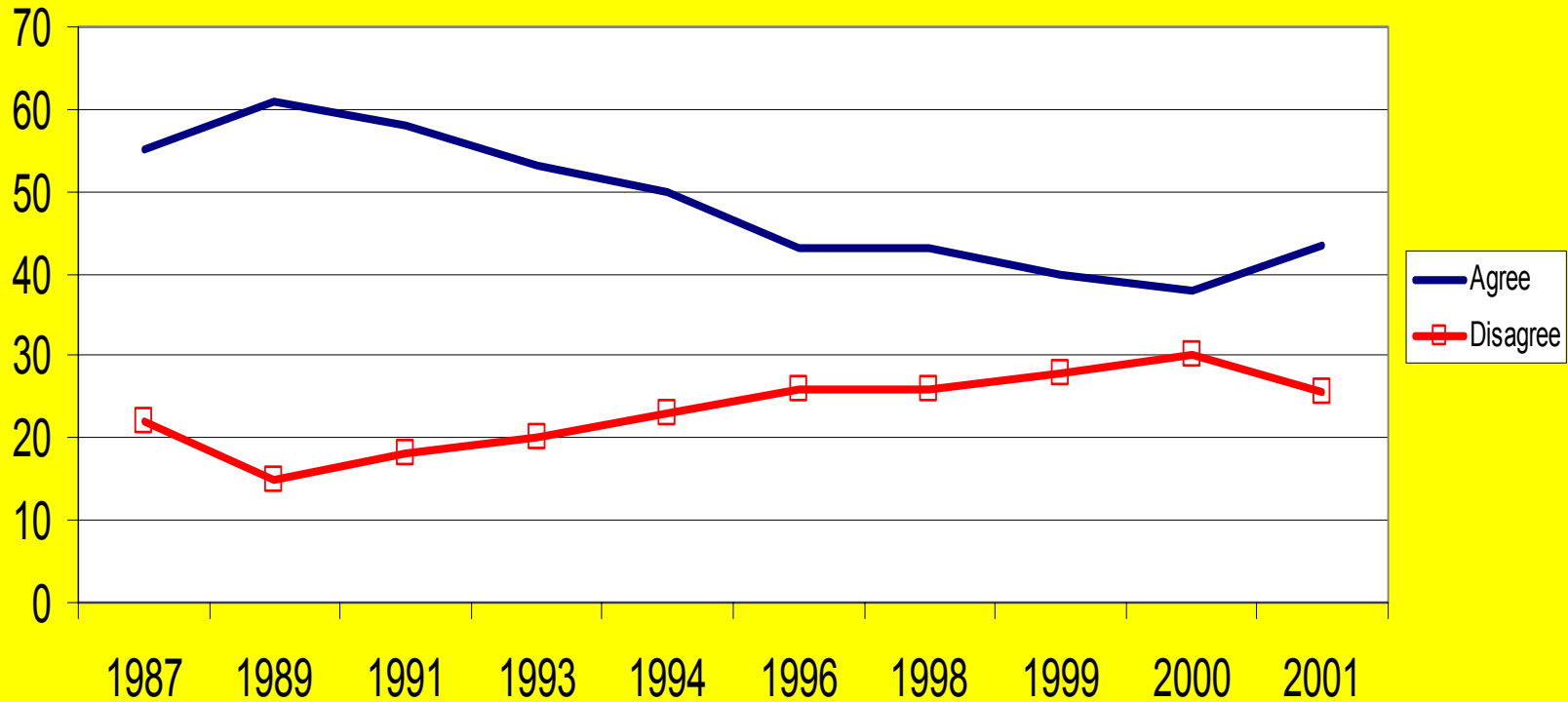
Probably not 10

Definitely not 7

Source: CASE/British Social Attitudes Survey, 1998



Government should spend more on welfare benefits for the poor (%)

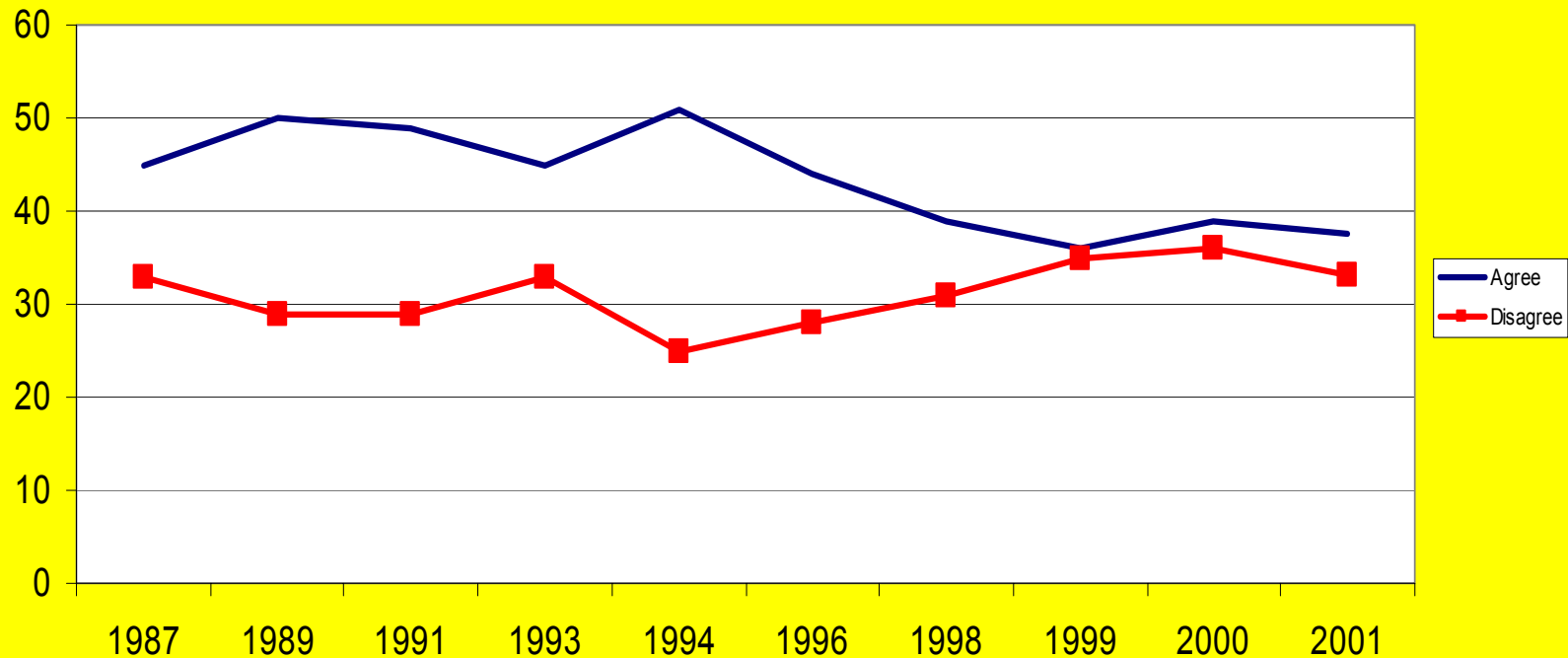


Note: Horizontal scale uneven

Source: *British Social Attitudes* survey



Government should redistribute income to the less well-off (%)



Note: Horizontal scale uneven

Source: *British Social Attitudes* survey



Policy in line with/following public attitudes

- Priority to health and education, not social security
- Selectivity in benefit increases
- Concerns about fraud / disincentives
- Conditionality in benefit payments
- Aim to reduce poverty (and seen in relative terms?)
- Minimum wage
- Work-based strategy for unemployed
- Wage top-ups for low paid with children
- Higher child credits if low income / lower if very high income
- 'Redistribution by stealth'

Policy catching up with public attitudes?

- Real increases in basic pension (temporary)
- Some tax increases to pay for higher health spending
- Reversal of 'purse to wallet' switch for Child Tax Credit from 2003

Policy leading public attitudes?

- Balance of concerns over adequacy / disincentives from benefits for unemployed (but not concerns themselves)
- Avoidance of talk of 'redistribution'

Policy out of line with (may lead) public attitudes?

- Cuts in disability benefits
- Means-tested not flat rate (or more generous) pensions
- Wage top-ups where no children
- Lack of measures for carers
- Lack of concern for overall inequality?

Conclusions

- Overall impact of policy since 1997 has been progressive
- This has been achieved largely by measures which go in line with public opinion
- But economic growth has been fast, so hard to make progress against relative poverty targets – scale of measures may not be enough
- Too early to say if long-term measures against exclusion are having impact