

Policies towards poverty, inequality and exclusion since 1997

A new study by members and associates of the Centre for Analysis of Social Exclusion at the London School of Economics has surveyed the evidence on the impact of policies towards poverty, inequality and social exclusion since the Labour Government was elected in 1997. The study suggests that:

- The Government has taken poverty and social exclusion very seriously, marking a clear distinction from recent previous administrations. A wide range of the problems faced by Britain in the mid-1990s has been recognised, as has their multi-faceted and inter-linked nature.
- Poverty and social exclusion have been the subject of some of the Government's most high-profile targets, particularly to cut and eventually "eradicate" child poverty, and to ensure that, within 10-20 years, no one is seriously disadvantaged by where they live.
- However, there are no targets for working-age poverty, for poverty of the population as a whole, or for overall inequality. There are vulnerable groups not covered by specific initiatives; and in the case of asylum seekers, government policy has *increased* exclusion (in the terms applied to other groups).
- Where initiatives have been specifically evaluated the effects have mostly been positive, although not always very large.
- Child poverty has been reduced by the Labour Government's tax and benefit reforms, and detailed analysis of family spending patterns suggests that the income changes for parents with children are having clear benefits.
- Overall, the impact of tax-benefit reform has been more progressive than an alternative policy of earnings-linking all benefit levels without reform would have been. But there are groups that have been left out. While poverty rates fell overall, those for working-age adults *without* children had reached record levels by 2002-03.



Background

In 1997 poverty and inequality stood at levels unprecedented in post-war history. More than one in four UK children lived in relative poverty, compared with one in eight in 1979. Income inequality had widened sharply, and many indicators of deprivation were deteriorating or high in international terms.

In opposition, Labour had avoided major commitments to tackling disadvantage, but in power, it has implemented a broad and ambitious social policy programme. As the Government nears the end of its second term, this is a good time to take stock: how much has this programme achieved?

Table 1 summarises the policy areas surveyed under three headings:

- Were the key problems *recognised* as a priority, appropriate *targets* set for improvement and specific *policy changes* made to address them?
- What evidence is there of *impacts*, both over time and from specific evaluations and detailed new analysis of family spending?
- What main *problems and gaps* have emerged in the policy mix?

Recognition, targets and policies

First, since 1997, the Government has taken poverty and social exclusion very seriously. In almost all the areas there is recognition of the range of problems faced in the mid-1990s, not just in the most relevant departments, but also at the centre.

Second, the issues have been recognised as multi-faceted and inter-linked. Policy debates have focused not only on cash incomes and services today, but also on long-term factors driving disadvantage and life chances for children. This is partly due to the impressive range of analysis on which government has drawn. Whether or not policies were really ‘evidence-based’, much evidence has been assembled and made publicly available.

Third, the use of targets has been prolific, with those on poverty and social exclusion some of the most high profile. The two most prominent and ambitious have been the commitments to cut (relative) child poverty by a quarter by 2004-05, to halve it by 2010-11, and to “eradicate” it within twenty years – or at least to be “amongst the best in Europe”; and the aim of the

neighbourhood renewal strategy that, within 10-20 years, no one should be seriously disadvantaged by where they live. Such targets (for example, in the annual *Opportunity for All* reports) involve the Government holding itself to account in a way that few predecessors have done.

However, there are conspicuous omissions – most obviously the lack of targets for working-age poverty (or for poverty of the population as a whole), or for overall inequality (except in so far as monitored at EU level). In addition, there are areas where policy (let alone impact) appears to be lagging behind analysis and target-setting.

Fourth, the speed and scope of policy varies greatly. Employment, education, child poverty, specific vulnerable groups (particularly of young people), and neighbourhood regeneration were early and continuing priorities, with substantial new resources. Children in their early years (particularly in terms of childcare) and pensioner poverty have become more important over time. But in other areas, the scale of action looks less impressive by comparison with the challenge – for example, ensuring that disadvantaged people have a real say over decisions affecting them or tackling inequalities between ethnic groups. Some vulnerable groups have not received special attention. For others, notably asylum seekers, government policy has actively *increased* exclusion along dimensions considered key for other groups (employment, income and housing).

Impacts

Some initiatives have had explicit evaluations, mostly positive, although the effects identified are not always very large: the New Deals, literacy and numeracy hours in primary schools, Education Maintenance Allowances, and some of the area-based initiatives. Simulation modelling shows that tax and benefit reforms have reduced child poverty quickly enough to give the Government a good chance of hitting its 2004-05 targets. Pensioner poverty should be falling by 2004-05, and tax and benefit policies have at least stopped overall income inequality growing (as it would otherwise have done). Analysis of family spending and the Families and Children Survey suggest that the income changes are having clear benefits for parents with children. Interviews with families living in low-income areas suggest improvements in several important outcomes (but not on a uniform basis) and the popularity of initiatives such as Sure Start and changes in primary schools.

Table 1: Recognition, targets, policies, impacts and gaps

	Recognition, targets and policies	Impacts	Problems and gaps
Child poverty	Prominent reduction target. Major tax-benefit reforms benefiting low-income families with children.	Fall in relative child poverty 1996-97 to 2002-03. On or close to 2004-05 target. Falls in deprivation and higher child-related spending by parents.	Still above EU average. Long way to be "best in Europe". Adult elements of family benefits price-linked.
Working-age poverty	Policy focus on worklessness, not poverty in itself. Policies aimed at employment and income at work.	Fell against absolute line, but only slight fall in relative poverty, which has increased for those without children.	Despite fall in registered unemployment many remain without income from work and dependent on price-linked benefits.
Pensioner poverty	Green Papers and <i>Opportunity for All</i> indicators. General aim of "ending pensioner poverty". More focus on extending means-tested benefits.	Relative poverty down by 2002-03 after allowing for housing costs, not before them. Further falls likely by 2004-05.	Lack of take-up of means-tested minimum.
Income inequality	Reduction in overall income inequality not an aim. Focus on relative poverty for selected groups and on life chances. Income inequality monitored at EU level.	Inequality has neither risen nor fallen significantly since 1997. Gap between incomes at the very bottom and very top has increased a little, but the gap between those near the bottom and those in the middle or near the top has fallen a little.	Incomes and earnings at very top continue to increase fastest. Some at bottom left behind through price-linked benefits or lack of take up.
Employment	Clearest initial priority. Action through New Deals and 'active' policy towards unemployed.	Lowest unemployment for 30 years, but economic inactivity falling only slowly. Jobless households still high.	Initial impact of New Deals slowed. High unemployment remains for 16- to 17-year-olds.
Education	Blair declared top three priorities for government, "education, education and education". Targets for school attainment. Higher spending since the low point of 1999.	Positive impacts at primary level, with poorest schools improving fastest. More mixed picture at secondary level.	Large social class differences remain. Tension between improvements for all and closing gaps.
Health inequalities	Unprecedented focus of analysis: Acheson report and follow-up. However, main thrust of policy is on overall health and NHS spending.	Too early to judge, but few attributable impacts yet visible. Time trends show little evidence of narrowing gaps.	Gap between analysis and implementation.
Political participation	Some aspects of constitutional reform and parts of Social Exclusion Unit (SEU) agenda for neighbourhood renewal. Participation requirements embedded in nearly all policy areas. Targets for volunteering and confidence in institutions.	Formal political participation continues to decline. Better responsiveness of providers to participation. Positive evidence on quality of involvement, and better targeting on excluded groups.	Many low-income families feel they 'have no influence at all'. Achievements have not led to excitement about participation and involvement.
Poor neighbourhoods	Major focus of SEU, with ambitious overall target. Policies both area-based and for mainstream services.	At aggregate level progress being made, but not always fast enough to meet targets. Substantial differences in position between low income neighbourhoods.	Not all poor neighbourhoods improving. Some improvements perceived as slow.
Children and early years	Has moved up the agenda with reviews in 1998 and 2004. Large increase in resources.	Participation of 3- and 4-year-olds in early years education increased. More childcare places, but short of target. Sure Start popular but evaluation shows mixed results.	Despite increases, spending and childcare provision remain low in European terms. Quality of childcare remains an issue.
Older people – services and long-term incomes	Royal Commission on Long Term Care – but divided report and responses in England and Scotland. State Second Pension and Pension Credit reforms.	Shift in care towards higher intensity and private provision. Falling value of private pensions for new employees. Increase in working after 50.	Impacts of means-testing of a wider range of services and potentially of future private pensions.
Ethnic inequalities	Response to Macpherson report and 'institutional racism'. Ethnicity generally sub-focus within disadvantage, rather than focus of specific policies.	Diversity of experience between minority ethnic groups. Narrowing of gaps in GCSE attainment but not in labour market.	Ethnic inequalities remain large in many dimensions. Area segregation remains a major issue.
Vulnerable groups	Focus of SEU on certain groups, especially vulnerable young people, with subsequent policy change. Asylum policy involves reduction in rights.	Mixed outcomes for targeted groups – most success on rough sleeping, less clear on exclusions, truancy and teenage conception.	Some action less strong than warranted by analysis. Some vulnerable groups lower down agenda, and asylum seekers expressly excluded from inclusion agenda.

In many areas no specific evaluations are available. Looking at trends over time, many are positive. However, they can be judged in two ways:

- The improvements have taken place during steady economic growth. In some ways that makes it easier to achieve improvements, for instance in employment rates. But in others it makes it harder: reducing relative poverty while general living standards are rising fast is harder than doing so when they are stagnating, particularly if benefit levels remain price-linked.
- The level of problems in 1997 was in many respects very high. This also cuts two ways: is it relatively easy to cut poverty and deprivation from historically high levels, or is it hard to start moving in the right direction?

Problems and gaps

There are a number of recurring problems. In many areas, there is an (often unacknowledged) conflict between raising standards for all and reducing differences between disadvantaged groups and others. For instance, overall improvements in health or educational achievement have sometimes left the most disadvantaged lagging even further behind.

In other areas, a growth in means-testing or other forms of targeting has allowed limited resources to be focused on those in greatest need. But this may lead to problems of take-up and of widening disincentives to work or save. The analysis summarised in Table 1 identifies a number of areas where people are still being left behind. Most

prominently, the default policy for most social security benefits and tax credits is to link their values to prices, not to general living standards. In some cases, this has created the fiscal headroom for large real increases in selected elements of the system to create both a more generous but also more rational structure. Overall, the results have been more progressive than simply earnings-linking all benefit levels without reform would have been. But it has left gaps – for instance, relative poverty rates for those of working age *without* children had reached record levels by 2002-03. More generally, there is no overall strategy for ‘poverty proofing’ all policy initiatives, to ensure that policy against poverty and social exclusion is part of the mainstream objectives of all parts of government.

Conclusion

There are substantial differences between the policies pursued in the years since 1997 and those pursued previously. In some of the most important areas, the tide has turned and policy has contributed to turning that tide. This is no mean achievement. However, it does not follow that policy has already succeeded, or that Britain has yet become a more equal society. In some respects it has, but in virtually all of the areas discussed, there is still a very long way to go to reach an unambiguous picture of success. Sustained and imaginative effort will be needed to make further progress and to reach groups not touched by policy so far.

About the project

This review was supported by the JRF as part of its centenary year. It draws on analysis from a wide range of research bodies and government departments.

For further information

The full book, **A more equal society? New Labour, poverty, inequality and exclusion** edited by John Hills and Kitty Stewart, is published by The Policy Press (ISBN 1 86134 577 1, price £19.99 (in paperback) or ISBN 1 86134 578 X, price £55 in hardback).

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