

## Appalling legacy of poverty and inequality

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The global interdependence of financial markets, trade and international policies is increasing. But governments retain some choice in intervening to modify the effects of these developments. The UK government says its low corporate taxation and ‘intelligent regulation’ attract more overseas investment. However critics argue that inadequate employment and social protection rights also make it easier for companies to withdraw.

### Poverty and inequality

Domestic policies, exacerbating market inequalities caused by international trends, led in the 1980s to a faster increase in income inequality in the UK than in all but one other industrialised country.<sup>2</sup> In the 1990s, inequality narrowed, but then began to widen again as real earnings rose but benefits failed to keep pace. In 1999-2000, over 23% of the population were living in poverty;<sup>3</sup> inequality had increased since 1998-99.<sup>4</sup>

This means many people do not fulfil the stereotype of the ‘rich northern consumer’. Instead, they inhabit a parallel financial universe, often budgeting on a weekly cash basis, with no bank account, few local shops and constant juggling of bills and debts. Health inequalities also increased over two decades to the mid 1990s, and differences in life chances between areas were the widest ever recorded.<sup>5</sup> Recent international comparisons reveal wide disparities in educational performance among UK students.<sup>6</sup>

Recent UK government policies have begun to tackle both the symptoms and causes of poverty. These policies include benefit increases, ‘welfare to work’<sup>7</sup> and ‘making work pay’<sup>8</sup> measures, increasing staying-on rates in education, and combating childhood disadvantage – although sometimes the emphasis on ‘what works’, and on the problems faced by discrete groups, can divert attention from systematic structural inequalities and discrimination. The

government has committed itself to tackling child and pensioner poverty in particular, and estimates that its policies since 1997 have resulted in over a million fewer children living in poverty than there would otherwise have been.<sup>9</sup> Independent analysis corroborates this.<sup>10</sup> But only 28 out of 50 key indicators showed an improvement over recent years (though none worsened).<sup>11</sup>

### Public expenditure and taxation

The government maintained the previous administration’s expenditure plans for two years after it came into office in 1997, but more recently started increasing public spending significantly, especially on health and education. However, Labour also committed itself to no increases in the basic/higher rate of income tax again before being re-elected in 2001. Critics say this has tied its hands – and perhaps unnecessarily, since the public is now more suspicious of increases in ‘stealth taxes’ (often via indirect tax) than in income tax.<sup>12</sup>

A second term has brought some challenges to the government’s policy positions – especially its support for a ‘mixed economy of welfare’, resulting in more control by private service providers and more private funding for public services. In addition, commentators say the government should challenge more directly the combination of private affluence and deteriorating public infrastructure in the UK compared with the rest of the European Union (EU).<sup>13</sup>

Budgets since 1997 have helped the poorest groups most.<sup>14</sup> But a recent analysis concluded that taxes represented 37.1% of gross household income overall, but were 35.7% for the richest tenth and 47.7% for the poorest tenth.<sup>15</sup> A Commission argued for higher and more progressive taxation, to fund higher public spending, on citizenship grounds; but it also said taxpayers would need to be convinced the money was well used, and wanted more say in this.<sup>16</sup> A

1 For OxfamGB, on behalf of UK Coalition against Poverty. The UK Coalition against Poverty (UKCAP) is an alliance of organisations which believe that poverty must be eradicated and which work towards that end. Its key aims are to improve anti-poverty policies by linking policy makers with people who have direct experience of poverty, and to campaign for more systematic and holistic anti-poverty strategies and policies.

2 Peter Barclay (chair). *Inquiry into Income and Wealth, Vol. 1*. York: Joseph Rowntree Foundation, 1995.

3 Department of Work and Pensions. *Households below Average Income 1994-95 to 1999-2000*. Corporate Document Services, 2001. (‘Poverty’ here is measured as the numbers of people living in households with under 60% of the median equivalised household disposable income.)

4 Measured by the Gini coefficient, which increased from 39 in 1998-99 to 40 in 1999-2000 (reported in *The Guardian*, 18 April 2001).

5 Mary Shaw et al. *Inequalities in Life and Death: What if Britain were more equal?*. Bristol: The Policy Press, 2000.

6 OECD. *Knowledge and Skills for Life – First results from PISA 2000*, Paris: OECD, 2001.

7 Social policy focused on providing employment to welfare recipients.

8 Employment-oriented social policy based on the reform of tax and benefits systems and the introduction of in-work benefits and earned income tax credits, aiming at discouraging incentives to remain unemployed. The argument to support such reforms is that badly-designed tax and benefit systems too often leave those working with little more than they would receive were they unemployed; and that if work does not pay, people will be reluctant to work.

9 Gordon Brown MP, Chancellor, in interview for *Today* programme, BBC Radio 4, 13 December 2001.

10 David Piachaud and Holly Sutherland. ‘Child poverty: aims, achievements and prospects for the future’, *New Economy*, spring 2001.

11 Department of Work and Pensions. *Opportunity for All: Making Progress – 3rd Annual Report 2001*, Cm 5260. The Stationery Office, 2001.

12 Alan Hedges and Catherine Bromley. *Public Attitudes Towards Taxation: The report of research conducted for the Fabian Commission on Taxation and Citizenship*. London: Fabian Society, 2001.

13 Peter Robinson. *Time to Choose Justice*. London: Institute for Public Policy Research, 2001.

14 Institute for Fiscal Studies. *Election Briefing Notes 1-6*. London: IFS, 2001.

15 John Hills, *Taxation for the Enabling State*. CASE Paper 41, London: Centre For the Analysis of Social Exclusion, London School of Economics, 2000.

16 Commission on Taxation and Citizenship, *Paying for Progress: A new politics of tax for public spending*. London: Fabian Society, 2000.

17 S. Aldridge. *Social Mobility: A discussion paper*. Performance and Innovation Unit, Cabinet Office, 2001.

report by a government unit argued that increases in income and inheritance taxes would be needed even to create a genuine meritocracy.<sup>17</sup>

The Prime Minister has committed the government to increase health spending up to the EU average, and is not ruling out tax increases to achieve this. The government has for the first time set targets to reduce health inequalities, rightly recognising that the key to their reduction lies largely beyond the scope of the health services.<sup>18</sup> But some health specialists say current policies will widen such inequalities further.<sup>19</sup>

There was some improvement in educational standards in the past few years. But there is also concern about some current policies, including greater specialism/selection, and more business funding; the devolved administrations have not always followed the same policy directions. By international standards, there is high functional illiteracy amongst adults; the government has recently launched a strategy to tackle this, but had to close down one official scheme due to fraud by private education/training providers.

## Governance and participation

Poverty is increasingly defined as powerlessness and denial of human rights.<sup>20</sup> But government analysis has tended to emphasise responsibilities instead. People living in poverty often feel their voice is not heard and their dignity not respected.<sup>21</sup> The low turnout in the 2001 general election was particularly marked in poorer areas. The government has produced general guidelines for official consultations. But there is no regular, structured input into policy-making by people in poverty and their organisations at UK level – though some progress has been made at local level, and by the devolved administrations, in particular in Scotland.<sup>22</sup> The Chancellor has urged civil society organisations to back the government's anti-poverty strategy.<sup>23</sup> But many anti-poverty organisations would argue that in exchange the government must go further in recognising the right of people in poverty and their organisations to hold the authorities to account and have a leading role in shaping the priorities of this strategy.

The National Action Plan for social inclusion<sup>24</sup> has been produced recently, as part of an EU initiative, and has set out the government's anti-poverty strategy. The EU required Member States to promote the participation of people in poverty and their organisations, mainstream an anti-poverty focus throughout their policies, and mobilise all relevant bodies; but the UK's plan was not strong in these areas.<sup>25</sup> The government is now discussing with anti-poverty organisations how to improve on its performance.

## Gender

Men's gross weekly income is still more than twice that of women.<sup>26</sup> The shift to a service economy has increased part-time/casual jobs, many of which are taken by women, often in households that already have one earner. The

government emphasises the division between 'dual earner' and 'no earner' households. But such jobs, whilst increasing women's employment, often do not give them economic independence; and men often spurn them, without a viable alternative. Both genders are struggling to come to terms with these developments, and with family change.

Over the last two decades, the percentage of families where only the man is in paid employment nearly halved.<sup>27</sup> Childcare places were created for over 625,000 children between 1997 and 2000;<sup>28</sup> but childcare services still require further development,<sup>29</sup> and unpaid childcare amounts to an estimated GBP 225 billion/year (approx. USD 325 billion).<sup>30</sup>

The Women's Unit has been renamed the Women and Equality Unit, and given some responsibility for crosscutting equality issues. But public authorities are still not under a statutory obligation to promote gender equity; too few government interventions are informed by systematic gender awareness; and gender mainstreaming has yet to be introduced beyond the pilot stage.

## Race/ethnicity

Growing opportunities for international trade and capital investment are not matched by open borders for people. Public bodies (though not the immigration authorities) are now under a statutory duty to promote good race relations.<sup>31</sup> The procedures for dealing with asylum-seekers are to be changed, and migration rules reformed. But analysis of recent disturbances emphasised the segregated lives led by black and white groups, and the extent of social deprivation in many northern towns in England.<sup>32</sup> The government is examining ethnic minorities' labour market position and the policy implications.<sup>33</sup> Controversy erupted over how much immigrants should be expected to integrate into British society.<sup>34</sup> Increasing pressures from population movements in future will pose a sharp challenge to the application of inclusive policies.

## Conclusion

The government has demonstrated a real commitment to combating poverty. However, it has not yet changed its rhetoric to reflect the ambition of some of its objectives;<sup>35</sup> and there is increasing recognition of the limited scope of some of its policies in tackling those forces making for growing divisions.<sup>36</sup> Recent moves to tackle the UK's appalling legacy of inequality and poverty are very welcome. But there is still a long way to go before significant progress can be recorded. ■

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18 The government is consulting on aims to reduce the social class gap in infant mortality, and the differences between areas with the lowest life expectancy and the national average, by at least 10% by 2010 in England (Department of Health press release, 28 February 2001); if accepted, similar targets will be pursued by the devolved administrations.

19 Letter to *The Independent* from Alyson Pollock and others, 29 May 2001.

20 See, for example, the European Anti-Poverty Network ([www.eapn.org](http://www.eapn.org)).

21 Commission on Poverty, Participation and Power. *Listen Hear! The right to be heard*. Bristol: The Policy Press/UK Coalition against Poverty, 2000.

22 See, for example, *Social Justice: A Scotland where everyone matters*, Scottish Executive, 2000.

23 HM Treasury press release, 13 December 2001; HM Treasury. *Tackling Child Poverty: Giving every child the best possible start in life*, 2001.

24 UK Government. *National Action Plan for Social Inclusion*, 2001.

25 European Commission. *Draft Joint Report on Social Inclusion (COM (2001), 565 final)*, 2001.

26 In 1999-2000 in Great Britain, men's median gross weekly income was over twice that of women (Women and Equality Unit. *Individual Income 1996-97 to 1999-2000*, Cabinet Office, 2001).

27 Office for National Statistics. *Social Focus on Men*, The Stationery Office, 2001.

28 Department for Education and Employment press release, 24 April 2001.

29 Peter Moss. *The UK at the Crossroads: Towards an early years European partnership*. London: Daycare Trust, 2001.

30 S. Holloway and S. Tamplin, "Valuing unpaid child care in the UK". *Economic Trends*, September 2001. Office for National Statistics/The Stationery Office.

31 The Race Relations (Amendment) Act 2000.

32 Report by Ted Cante, chair of Community Cohesion Review Team, December 2001.

33 Performance and Innovation Unit. *Improving Labour Market Achievements for Ethnic Minorities in British Society*. Cabinet Office, 2001.

34 See, for example, *The Times*, 10 December 2001.

35 Peter Robinson. *Time to Choose Justice*. Institute for Public Policy Research, 2001.

36 See, for example, Polly Toynbee, *The Guardian*, 14 December 2001.