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## **CHAPTER 15**

### **CONCLUSION: A TIDE TURNED BUT MOUNTAINS YET TO CLIMB?**

**John Hills and Kitty Stewart**

#### **INTRODUCTION**

In this chapter we put evidence from earlier chapters within a common framework, and give an overview of what this shows about the impact of policies towards poverty, inequality and social exclusion under New Labour.

A first danger is timing. If the 1950s were still “too early to tell” the impact of the French Revolution according Zhou Enlai, 2004 is far too early fully to assess policies that are still being implemented. The problem is not just of present preoccupations, but also of data. Statistics follow events with a lag. While there has been great improvement in the speed of key poverty and income distribution statistics, the most recent available to us are for 2002-03 with a mid-point in Autumn 2002, before the major April 2003 tax credit changes, for instance. Other statistics have longer lags. More fundamentally, many measures are *designed* to have long-term effects: the impacts on adult outcomes of new policies towards children’s early years and later education are inevitably still unknown.

Second, by focussing on specifics, we may miss the bigger picture. We have tried to avoid concentrating only on the government’s own agenda, but there is often more to say when policy has been active than when it has not. Many

data are from government sources, and relate to its own targets and priorities. It is impressive that there is now an annual progress report on poverty and social exclusion, *Opportunities for All* – and that it could report in 2003d that 34 of its 44 indicators had improved over the medium-term (generally since New Labour came to power) while ten were steady and none had deteriorated (DWP, 2003d). However, external views may be more convincing. For instance, the New Policy Institute's similar collection of indicators over a similar period shows 21 of its 44 indicators as improving, 16 steady, but 7 deteriorating (Palmer, *et al.*, 2003). This is less rosy than the official collection but none the less encouraging, and contrasts with its earlier assessment of 'New Labour's inheritance', when they had found 19 indicators improving in the medium-term, 11 steady, but 14 to have been deteriorating (Howarth, *et al.*, 1998).

Third, most evidence relates to trends over time and changes in them. But such trends may have been changing anyway. In many areas, continued good macro-economic performance – for which the government argues that it can take credit – has been the most important factor, not particular initiatives. There is far more attention to evaluation and 'evidence-based policy' than there was before 1997, but relatively few policies have been systematically evaluated.

Finally, an issue recurs throughout the book: assessments may differ depending on whether the focus is on *absolute* changes for the most disadvantaged, or on their *relative* position. This is obvious when discussing

absolute and relative poverty, but also applies in other areas. Even when considering differences between groups, there are two kinds of gap – *absolute* and *proportionate*. These can easily move in different ways – the absolute gap may be smaller, but the proportionate one larger. It is not that one measure is ‘right’ and another ‘wrong’, but which is appropriate depends on the precise question being asked.

### **A framework for summary**

The stories told in early chapters are summarised below under four headings:

- Were the key problems *recognised* as a priority and was attention devoted to *analysis*?
- Were appropriate *targets* set for improvement, and specific *policy changes* made to address them?
- What evidence is there of *impacts*, both in terms of *time trends*, and from specific *evaluations*?
- What are the main *problems and gaps* in the policy mix as it has evolved?

The material is organised into three sections, first, evidence on poverty, divided between children, the working age population and pensioners, together with trends in income inequality. This is drawn from parts of Chapters 7 and 12 (child poverty), Chapter 8 (older people), and Chapter 11 (overall poverty and income inequality). The following section looks at broad policy areas: employment (Chapter 2), education (Chapter 3), health (Chapter 4), and political participation (Chapter 5). The third looks at particular target groups: poor neighbourhoods (Chapter 6), children in the early years (Chapter

7), services for older people and longer-term prospects for pensioner incomes (Chapter 8), ethnic inequalities (Chapter 9), and vulnerable groups (Chapter 10). Evidence from international comparisons (Chapter 14) and from the experiences of families in low income neighbourhoods (Chapter 13) is used throughout. Sources are given in the appropriate chapters, rather than repeated here.

## **POVERTY AND INCOME INEQUALITY**

### **Child poverty**

*Recognition and analysis:* Child poverty emerged as a major New Labour preoccupation, the focus of its most prominent targets and of some of the Treasury's largest initiatives. A series of reviews and policy papers assessed a wide range of evidence on its causes and consequences.

*Targets and policies:* The pledge to “end child poverty in a generation” (eventually defined as being “amongst the best in Europe” in relative terms), and the specific targets of cutting relative poverty by a quarter by 2004-05 and by half by 2010-11 are amongst the most ambitious. Major reforms to tax and benefit policy created the new tax credit system. Special additional lone parent benefits were phased out, but non-working lone and two parent families with children (particularly younger ones) have gained from the overall package as well as working families. Four-fifths of all families with children have benefited to some extent. The package of support for low-income working families with children is now one of the most generous in the world.

*Impacts:* In relative terms child poverty fell from 25% to 21% (BHC) or from 34% to 28% (AHC) between 1996-97 and 2002-03 (although it did not do so

for all family types, rising slightly for children of two non-working parents). Simulation modelling suggests that changes in tax and transfer policies have had a substantial effect, and that the target of a cut by a quarter by 2004-05 should be hit on the BHC basis, and will be close to being hit after housing costs. Between the years up to 1997 and 2001, the UK moved from having the highest relative child poverty in the EU to fifth highest, its rate falling while others rose. As average incomes were growing steadily, against a US-style absolute poverty line child poverty halved between 1996-97 and 2002-03. For lone parents, there were striking falls in indicators of material deprivation and financial stress between 1999 and 2002. Our new analysis of spending by low income families with young children shows that they have increased spending disproportionately on goods for children (clothing, footwear, toys and games), but also on some adult goods (such as clothing) where they had lagged behind. Their spending on food increased, while it fell for other families; their ownership of certain consumer durables caught up somewhat.

*Problems and gaps:* Child poverty was so high initially that there is still far to go to reach the EU average, let alone the best in Europe. For benefits and tax credits there are two clear issues. First, most of their values are by default linked to price inflation, not general living standards (including the ‘adult’ elements of benefits for families with children). ‘New’ measures are needed every year, just to stand still against the moving target of a relative poverty line – and more to make progress. Second, the reforms have reduced the deepest parts of the ‘poverty trap’, but have extended means-testing up the income range (Hills, 2004a, figure 10.7). Pushing the strategy further means either widening or deepening the problem. Half of the low-income parents we

spoke to reported frustration with administration of the new tax credits, and uncertainties about what they receive. Despite the tax credits, poverty rates for working lone parents remained high in European terms in 2001, partly reflecting low hours, but also low wages for women working part-time.

### **Working age poverty**

*Recognition and analysis:* Policy has focussed on working age poverty as a consequence of worklessness or parenthood, rather than on income poverty in itself. Most official analysis has concentrated on the labour market and the situation of low-income parents.

*Targets and policies:* By contrast to children and pensioners, there is no specific target for working age poverty. Policies have aimed at getting people into work and improvements in incomes for those in work through the National Minimum Wage and the Working Tax Credit, with some improvements in benefits for disabled people. On the other hand, Income Support for other single non-pensioner adults fell significantly as a percentage of the effective poverty line between 1997 and 2004.

*Impacts:* There have been falls in poverty against an absolute line for the working age population as a whole, but against a relative line it has fallen only slightly, much of this reflecting the improving position of parents. For working age adults *without* children, relative poverty *increased* slightly (to a record level by 2002-03). Poverty rates for unemployed people remained amongst the worst of eleven EU countries with comparable data.

*Problems and gaps:* Although many employment measures have been successful, and registered unemployment has fallen substantially, significant

numbers remain without work and dependent on state benefits. Successful welfare to work policies may reduce the numbers dependent on out-of work benefits further, but those remaining will have real incomes steadily falling further behind the rest of the population.

### **Pensioner poverty**

*Recognition and analysis:* The overall structure of pensions and income levels for today's pensioners have been the focus of two Green Papers and part of the annual *Opportunities for All* analysis.

*Targets and policies:* Pensioner poverty followed child poverty as an explicit focus of policy, and has not had a high profile target, but at the 2002 Labour Party Conference, Gordon Brown stated the aim of "ending pensioner poverty". The main policy has been to increase the means-tested minimum for pensioners and extend means-tested help higher up through the new Pension Credit. The basic pension has remained essentially linked to prices (although its real value has had a small increase). Special measures for all or some pensioners include winter fuel allowances, free eye tests, free TV licences, and increased income tax allowances.

*Impacts:* Relative poverty for pensioners has followed a different course depending on how measured: before housing costs it was no lower (21%) in 2002-03 than in 1996-97, but after housing costs, it fell from 27% to 21%. Simulation modelling suggests both measures may fall by a further two percentage points by 2004-05. Against a fixed real line, by 2002-03 pensioner poverty had fallen by approaching a half (BHC) or two-thirds (AHC). This partly reflects the still favourable position of recent retirees compared to older



cohorts, but changes in the real value of state benefits have had a substantial impact.

*Problems and gaps:* The clearest immediate problem is continued lack of take-up by all those entitled to the means-tested minimum, despite initiatives to improve it (it is too early to tell whether the administrative changes with the new Pension Credit system will do so). Non-claimants, for instance receiving only the basic pension, have fallen further behind relative poverty lines. More generally, the potential extended generosity of the Pension Credit will only be realised if those newly entitled claim it. The initial target was only for Pension Credit take-up to reach 72 per cent by 2006, and the 2004 Spending Review's target for 2008 implies significant non-take-up to remain even then.

### **Income inequality**

*Recognition and analysis:* Reducing *overall* income inequality has not been a New Labour aim. Inequalities between those with low incomes and the middle – relative poverty for children and pensioners and reduction of unemployment and worklessness – have been key concerns, as have unequal life chances and barriers to social mobility. But inequality between the middle and the top of the income distribution has almost explicitly been ruled out as a concern.

*Targets and policies:* The relevant targets have thus been those concerned with relative poverty and specific issues such as employment and education. However, at the Lisbon and Laeken EU summits, the UK agreed to its performance on social cohesion being judged against indicators including some of overall income inequality, notably the ratio between the incomes of

the richest and poorest fifths of the population. Relevant policies have been those affecting child and pensioner poverty, incomes of the low paid in work, employment and education (including the potential impact of wider higher education in reducing the 'graduate premium' in wages), as well as those addressing long-term drivers of inequality. Following 1997 and 2001 election pledges, higher income tax rates have not increased.

*Impacts:* What has happened to income inequality depends on whether measures include the very richest and very poorest.<sup>1</sup> Measures *excluding* these show inequality first increasing under New Labour, but then falling back by 2002-03 to similar levels to 1996-97. Except at the very top and very bottom, living standards for all income groups have risen by similar amounts, with those nearer the bottom doing slightly better than those nearer the top, contrasting with other recent periods of growth. However, a measure allowing for the highest incomes reached an all-time high by 2000-01, and was only a little lower by 2002-03, still above its 1996-97 level. Policy has clearly had an effect – had the tax and benefit system been left as it was in 1996-97, adjusted only for price inflation, this inequality measure would have been much higher. In these terms, New Labour can claim to have halted its growth. Overall relative poverty – a measure of inequality at the bottom – was only a little lower in the year up to 2001 than it had been in the year up to 1997, but this was still the greatest reduction in the EU. By contrast, the ratio between incomes of top and bottom fifths rose slightly over this period, in contrast to other high inequality EU countries.

*Problems and gaps:* A key driver of overall inequality is that incomes and earnings at the very top continue to increase faster than others. Equally,

incomes right at the bottom have not increased as fast as for other groups.

While this is affected by data problems, it also reflects lack of take-up of improved benefits for some, and price-linking of benefits for others.

## **POLICY AREAS**

### **Employment**

*Recognition and analysis:* Employment was New Labour clearest priority when elected in 1997, and has remained so. Work, and the promotion of work, have been defining themes.

*Targets and policies:* One of the five 1997 ‘early pledges’ was to cut youth unemployment. There have been targets (now extended to 2008) for increasing the employment rates of disadvantaged groups (including lone parents, disabled people and minority ethnic groups) and for reducing the employment gap between disadvantaged groups and the overall rate, all under the slogans of “employment opportunity for all” and “work for those who can, security for those who cannot”. Significant resources have gone into the New Deal programmes (particularly for young people), and tax credits for those in work (including help with childcare) intended – with the minimum wage – to reinforce the message that ‘work pays’. The evolution of working age social security begun before 1997 continued, with employment services and benefit delivery combined as part of the continuing move towards ‘active’ policies for the unemployed.

*Impacts:* Registered unemployment has fallen to its lowest level in thirty years. Long-term unemployment is one of the lowest in Europe. Total employment is now at record levels, including increases in employment rates

for lone parents and those aged between 50 and state pension age. However, economic inactivity rates have only fallen slowly for women, and have risen for men. The proportion of jobless households remains high in European terms, and the proportion of children living in them was still the highest in the EU in 2003, far higher than in most other countries. Most of these improvements relate to continued good macroeconomic performance –helped by employment measures allowing the economy to run at a faster rate without inflation than otherwise. Evaluations of specific employment measures show positive but relatively small impacts. Similarly, the net impact of the changes in tax and benefit structure on labour force participation has been positive, but not very large (although even this is a striking achievement, given increased incomes for some non-workers).

*Problems and gaps:* Economic inactivity remains the biggest problem, particularly for prime age men. There are also issues about the extent to which people are cycling through programmes, which may explain why unemployment rates for young workers have not fallen since 2000. The initial impact of the New Deal has slowed. Unemployment rates for 16-17 year-olds have not fallen. More fundamentally, there remains controversy about work as being the *only* policy towards reducing poverty for the working age population.

## **Education**

*Recognition and analysis:* Education famously represented all of Tony Blair's top three priorities in 1996, and inequalities in educational achievement have been extensively analysed. As well as school achievement, specific studies by

the Social Exclusion Unit included truancy and exclusions, the position of 16-17 year-olds outside education, lone parents and care leavers. Others major reports covered both further and higher education, and adult basic skills.

*Targets and policies:* The most conspicuous targets relate to attainments at end of the four 'key stages' (ages 7 to 16), including differences between areas and schools, as well as average achievement. Policies included smaller class sizes for 5-7 year olds, the literacy and numeracy hours, area-based policies such as Excellence in Cities, introduction of Educational Maintenance Allowances, and two waves of reforms to higher education funding. Education spending has risen as a share of GDP since its 1999 low point, and is moving up the international range.

*Impacts:* At primary level, large class sizes have become less common, the numeracy and literacy hours have been positively evaluated, and attainment has not only risen overall (until 2001), but poorer schools improved fastest. All this has been noticed and is popular with the parents we are interviewing in low income neighbourhoods. At secondary level the picture is more mixed. The overall proportion achieving five or more 'good' GCSEs has increased, and social class differences have reduced, but remain large. EMAs have been positively evaluated, and early evaluation of Excellence in Cities is also positive.

*Problems and gaps:* Large social class differences remain, and may even have increased in terms of university access. Significant numbers of boys still reach 16 with no graded results. Schools with large numbers of children from poor families continue to do badly at Key Stage 3 (age 14). There are natural tensions between the aims of improving average results and closing gaps in

performance. In some cases the targets used (such as concentration on A-C grades at GCSE) may exacerbate this. Little has been done for further education despite the Kennedy report, and 'life-long learning' dropped out of sight after the problems with Individual Learning Accounts. Although there has been progress on adult basic skills, there remains a long way to go.

## **Health**

*Recognition and analysis:* Inequalities in health have been an unprecedented focus since commissioning of the Acheson report, with a cross-cutting review in 2002, and the 2003 *Programme for Action*. This analysis has emphasised the multiple drivers of health inequalities, including income levels and distribution.

*Targets and policies:* However, the main thrust of policy has been concerned with overall levels of health and with increased public spending on health care. Such spending is disproportionately on those with low incomes (reflecting greater levels of need), and the formulae allocating NHS resources between areas have become more sensitively tuned to disadvantage. Some of the announced policies on health inequalities have been rather vague or limited, although there are specific national targets for reducing inequalities in infant mortality, life expectancy and death rates from heart disease, strokes and cancer.

*Impacts:* Given the nature of health outcomes, it is too early to judge the results of recent policies. One overall survey found widespread recognition of the problems, but few improvements in health inequality outcomes attributable to policy. Many of the relevant time trends (such as for coronary heart disease

or cancer) show absolute improvements for all socio-economic groups, but little progress on gaps between them. In some cases improvements for all have involved wider gaps (infant mortality rates and life expectancy for women), but in others there have been actual deteriorations at the bottom (low birth-weight babies and numbers reporting ‘not good health’, although both measures need careful interpretation). Health Action Zones have been positively evaluated.

*Problems and gaps:* As one official report put it, the challenge is now delivery and implementation, not further discussion. There are tensions – not always recognised – between the twin aims of overall improvement in health outcomes and closing gaps in them. Given the importance of factors such as child poverty and unemployment for health outcomes, the impact of other policies may have long run effects on health gaps too.

### **Political participation**

*Recognition and analysis:* Several aspects of participation have been a focus, including constitutional reform (such as devolution), ‘modernising local government’, and ‘civil renewal’. The SEU’s agenda for neighbourhood renewal has emphasised community self-help, while partnership, participation and consultation have been embodied into many parts of service delivery by central and local government.

*Targets and policies:* Public service agreements for the Home Office and NHS include targets for community and voluntary sector ‘participation’ and ‘patient accountability’, while performance indicators for the ‘best value’ inspection regime for local authorities includes consultation. Policies can be split

between attempts to improve participation in formal politics – mayors, postal voting experiments – and less formal mechanisms (such as involvement in crime and disorder partnerships or ‘capacity building’ for tenant and community representatives).

*Impacts:* Formal political participation has continued to decline (spectacularly so in turnout for the 2001 general election), and social gaps in voting rates remain wide. However, postal voting experiments have increased voting rates, particularly for disadvantaged groups. Evidence on recent trends in volunteering shows that large socio-economic differences remain. Evidence on the recognition by service providers of the need for and value of community participation and involvement is much more positive, particularly on the *quality* of participation (rather than its quantity, in terms of numbers involved).

*Problems and gaps:* Despite changes by service providers, it is telling that more than half of the families we are talking to in low-income neighbourhoods feel that they have “no influence at all”, even though most are connected to local groups in some way. This is not just a matter of the deficit in formal participation, but also reflects the way people are affected by key services such as social housing allocations. There are perceived conflicts between involvement and ‘delivery’, for instance in speeding the planning process and community involvement in decisions. Perhaps most importantly, what has been achieved has not led to any widespread excitement about the ideas of participation and involvement.



## **TARGET GROUPS**

### **Poor neighbourhoods**

*Recognition and analysis:* Problems of low-income neighbourhoods have been a major focus of consultation and analysis since 1997, culminating in the SEU's National Strategy for Neighbourhood Renewal.

*Targets and policies:* The overall target for the strategy – that “within 10-20 years, no-one should be seriously disadvantaged by where they live” – is perhaps New Labour's most ambitious. It is backed up by targets for particular outcomes, notably ‘floor targets’ for achievement in the most disadvantaged areas in employment, education, crime, health and housing. Some policies have been for ‘mainstream services’, but others have been aimed at particular areas (particularly within England), such as neighbourhood wardens, Sure Start, and Excellence in Cities.

*Impacts:* At present, progress can only be measured at relatively aggregated levels (such as the most deprived fifth of local authorities as whole). At this level, looking across services and outcomes, progress is being made, although not always quickly enough to reach the targets set, and still leaving substantial gaps between poor areas and others. In some cases outcomes for poor areas are both improving and closing the gap on others (employment rates and teenage pregnancy), and in others this is being achieved, but not fast enough to meet targets (primary and secondary education). But mortality differences are widening around an overall improvement, and crime outcomes are mixed. There are substantial differences between our own smaller-scale study areas, with some making significant progress but others not. Similarly, families

living within these areas report mixed experiences, being positive about some initiatives (notably Sure Start and, for many, the New Deal for Communities), but less aware of others.

*Problems and gaps:* Despite progress, substantial differences remain between areas, and not all poor neighbourhoods are improving. The biggest challenges are driving execution of policy down to lower levels, and making progress on the 'liveability' agenda: half of the families we spoke to felt that crime was a serious problem for them, and recent initiatives were only having slow effects. Equally, 'neighbourhood renewal' cannot be tackled only within individual neighbourhoods, but depends on broader policies and economic developments.

### **Children and the early years**

*Recognition and analysis:* 'Early years' policy has moved up the agenda. An early spending review resulted in the Sure Start programme, and the 2004 spending review included a cross-cutting study of the wider drivers and effects of child poverty. The emphasis on improving childcare provision has increased, linked to labour market policies, although issues around the quality of childcare and early education have tended to follow further behind.

*Targets and policies:* There is an explicit target for increased childcare places (900,000 by 2004), for participation by all three and four year-olds in some nursery education (100% by September 2004), and a series of targets for Sure Start areas. Sure Start started as a programme targeted at certain low income areas, but has gradually widened to include much of overall policy towards early years, accompanied by total spending rising by 80% between 1997-98 and 2002-03. Free part-time nursery places were guaranteed first for all four

year-olds, and then all three year-olds. Tax credits can pay up to 70% of (registered) childcare costs for lower-income families. Maternity allowances have improved and last longer (for those previously working), and parents can now request flexible working patterns.

*Impacts:* Participation by three and four year-olds in early years education has increased, with the proportion benefiting from funded places reaching 88% and 98% respectively in 2003. Overall childcare places have increased, but the *net* increase looks likely to fall short of the 2004 target. While poorer areas appear to be catching up, this is accounted by increased use of childminders, while their use in other areas is falling as a share of the total. By April 2004 a fifth of Working Tax Credit recipients received a credit for childcare costs, but this was a long way short of those potentially eligible. Both early evaluations of Sure Start and our own family interviews suggest that the programme is very popular indeed with parents. Its results against its formal targets are mixed, with for instance, the proportion of babies with low birth-weight not declining. However, it is not clear whether all such targets are appropriate, and a combined measure of twenty of its indicators does show a positive impact.

*Problems and gaps:* Despite recent increases, child care provision and public spending on the early years are still low by comparison with elsewhere in Europe. The quality of childcare remains a major issue, as does the sustainability of an approach resting on demand-side subsidies.

### **Older people: services and long-term incomes**

*Recognition and analysis:* Long-term care for older people was the focus of New Labour's only Royal Commission. However, the Commission produced majority and minority reports, the minority having more influence in England and the majority in Scotland. Care for the elderly has also been a focus of NHS reorganisation. An early Green Paper on pensions produced a new structure for the State Second Pension, a more recent one changes in the tax treatment of pensions and measures to allow flexible retirement, while the Independent Pensions Commission is looking at long-term prospects for pensions.

*Targets and policies:* The *Opportunities for All* targets include both the proportion of over-65s receiving care services at home, and of the working age population contributing to private pensions. A National Service Framework set standards of care for older people in 2001. Free personal care has been introduced in Scotland, but not in England. More use of 'direct payments' is intended to give people more control over their own care. The State Second Pension reforms increase prospective pensions for the lower paid, and 'Stakeholder Pensions' were introduced with the aim of increasing private pension provision for those around and below median earnings. While not a formal target, the Government has talked of shifting the future balance of pension provision from 60 per cent public to 60 per cent private.

*Impacts:* The total number of places for older people in residential care homes has continued to decline slowly since 1997. While overall hours of home care have increased, the proportion of over 75s receiving services has declined – the shift has been towards high intensity services, and to private sector provision. The proportion of those unable to walk outside unaided and living

alone receiving public personal social services fell between 1994-95 and 2001-02. Future pension prospects have been dominated by the stock market crash since 2000, and the resulting under-funding of many private occupational schemes. While deficits are being filled for existing members, many new employees now have less valuable pension packages, with lower employer contributions. More people are working between age 50 and State Pension Age, continuing the trend since 1993.

*Problems and gaps:* More services for the elderly are now means-tested, with the risk that some fall outside the net. Tighter targeting on those with the most intense needs means that those with less intense or occasional needs are not being covered, with a risk of losing potential preventive effects. Concerns about being caught by future means-testing as well as the sheer complexity of the emerging structure of state pensions leave very large question marks over whether private provision really will increase in the way envisaged by the Government as a way of coping with an ageing population, particularly given the rapid switch of private occupational pensions towards riskier (and usually less valuable) ‘defined contribution’ models.

### **Ethnic inequalities**

*Recognition and analysis:* In New Labour’s first term, policy was framed by its response to the Macpherson Report, and its identification of ‘institutional racism’ within public services, leading to the Race Relations (Amendment) Act of 2000, putting a statutory duty on public bodies to promote equality of opportunity. Ethnicity has generally been a sub-focus within more general

studies of disadvantage, rather than a focus in its own right (although the Cabinet Office's work on employment is an exception).

*Targets and policies:* Most policies and targets have aimed at disadvantage in general, implicitly assuming that given their higher levels of disadvantage, minority ethnic groups will tend to be beneficiaries. There are some specific targets related to minority groups, such as raising employment rates and narrowing the gaps between these and the overall rate, and there have also been some policies specifically targeted at minority ethnic groups in Labour's second term, such as Ethnic Minority Achievement Grants to local authorities to improve educational achievement.

*Impacts:* While it is too early to see effects of recent policies, evidence on trends in ethnic inequalities within some of the main service areas suggests diversity of experience between minority groups. In education, proportions achieving good GCSEs have increased in all ethnic groups, and the gap between minority groups and the white population narrowed between 1996 and 2002. School exclusions for black Caribbean pupils fell between 1997-98 and 2000-01, but have since stabilised, still well above the national average. Differences in employment rates show no clear pattern, and while unemployment rates have fallen for all groups, there has been no convergence in relative unemployment rates. Incidence of low incomes shows varied patterns, with a clear decline in the proportion of the Indian population (especially children) and (more slowly) of black non-Caribbean people having incomes in the poorest fifth, but no decline in the very high proportion of the Pakistani and Bangladeshi population with low incomes.

*Problems and gaps:* Despite evidence of improvement in many respects for most ethnic groups over the period, ethnic inequalities remain very large in many dimensions, with little evidence of policy success in reducing them so far. There appear to be tensions between some of New Labour's 'managerialist', target-driven policies, and the complexity of delivering services to diverse client groups. Area segregation remains a major issue.

### **Vulnerable groups**

*Recognition and analysis:* A specific aim of the Social Exclusion Unit established in 1997 was to focus on vulnerable groups, particularly those where current disadvantage was linked to later disadvantage, and where responsibilities fell between government departments. It has produced powerful analysis of the position of particular groups, notably teenage parents, ex-prisoners, children leaving care, pupils truanting or excluded from school, 16-18 year-olds not in education, employment or training, and rough sleepers. However, its coverage has been selective, and other vulnerable groups that have not been subject to such attention.

*Targets and policies:* For several of these groups, clear targets have been set, and policies have followed. These have included monitoring school exclusion policies, introduction of the Connexions service and Educational Maintenance Allowances for 16-17 year-olds, and establishment of the Rough Sleepers Unit. But for other groups there has been much less policy development, and in the case of asylum seekers, policy elsewhere in government has actively sought to *reduce* rights to income, employment and housing as part of the

Government's drive to reduce the numbers of new arrivals, running in the directly opposite direction to nearly all other policies we have discussed.

*Impacts:* For the targeted groups there is mixed evidence. In the three areas examined in Chapter 10: permanent school exclusions first fell, but then rose again between 1999-00 and 2001-02, while truancy fell, but not by enough to hit its target; teenage conception rates have fallen a little since 1998 and may hit the 2004 target (but are not on track for the 2010 target); and the number sleeping rough appear to have fallen substantially, meeting the target of a reduction by two-thirds (although trends in less acute forms of homelessness are less clear).

*Problems and gaps:* For some of the groups officially identified, the action that has followed appears less strong than warranted by the analysis. In some cases there is a conflict in interest between those identified as vulnerable and others who may also be disadvantaged – for instance other pupils in classes with disruptive pupils. Other groups – for instance, older pensioners or disabled children – have come lower down the agenda. The example of asylum seekers shows that there are strict limits to the government's 'inclusion' agenda: some groups are clearly excluded from it.

## **NEW LABOUR'S RECORD IN PERSPECTIVE**

A first overview is given by Figure 15.1, based on analysis by the Institute for Fiscal Studies. This contrasts what has happened to the net incomes (adjusted for family size) of those in successive fifths of the income distribution under the last three Prime Ministers (up to 2002-03 for Tony Blair).

[Figure 15.1 about here]



The contrast is clear. While Mrs Thatcher was Prime Minister, incomes at the top grew rapidly. Lower down the distribution they grew much less fast, and at the bottom by very little. Average living standards grew, but income inequality widened rapidly, and the poor fell behind. During the Major years, the growth in inequality was partly reversed, but there was only slow growth in living standards for any of the groups. After 1997, all income groups enjoyed quite rapid growth in living standards. This did not mean much fall in *inequality*, and only a slow decline in relative poverty, but it did involve much faster growth in living standards for the poor than either of the earlier periods, and so resulted in rapid falls in absolute poverty.

For many concerned with disadvantage, the latest period is clearly preferable to the other two. Whether this makes it a ‘success’ depends on expectations. To illustrate this, Table 15.1 compares the position in the year Labour left three periods of office (or up to 2002-03 for New Labour) with that in the year before it came to office. It shows GDP growth, the change in real incomes for the two poorest tenths and the median, relative poverty for the whole population and for children (numbers with less than half mean income), and income inequality (measured by the Gini coefficient).

[Table 15.1 about here]

In this light, the position when the Wilson government left office in 1970 now looks rather enviable. Inequality had fallen, incomes of the poorest fifth had grown rapidly in real terms over seven years, and overall relative poverty had fallen to below 10 per cent. However, for those assessing its record closer to

the time (with more limited data), this was not necessarily success. For Townsend and Bosanquet (1972), summarising their edited review of *Labour and Inequality*,

“Most of the authors have failed to find evidence of marked changes in the direction of fulfilling socialist objectives. Their analysis presents a gloomy picture....The Government did not diminish inequalities of income, or did not reduce them very much... Considerable poverty remained... It is impossible not to feel a sense of dismay” (pp.11, 288-289).

By such standards, the period since 1997 would hardly be judged a success either. Others were somewhat kinder to the Wilson government. In a survey of *The Labour Government's Economic Record* at the same time Stewart (1972) concluded that,

“... there was an improvement in the distribution of income, both vertical and horizontal, under the Labour government ... To have produced a measurable improvement in the distribution of income against the background of the deplorably slow rate of growth of output permitted by its macroeconomic policies was one of the Labour government's main achievements – though, ironically, one that has received very little recognition from Labour's own supporters. What might be achieved against the background of a reasonable growth rate? One day, perhaps we may see.”

Clearly expectations of growth change over time as well, given that the annual 2.4 per cent growth rate over the six years since 1996-97 is seen as one of New Labour's major successes, but is identical to that between 1963 and 1970 deplored by Stewart.

Piachaud (1981) was rather kinder to the 1974 to 1979 Labour government:

“While poverty in Britain remains to the extent that it does, the Labour Government's record on social security cannot be a source of complacency or of pride. But it need not be a source of shame” (p. 185).

By 1979 both income inequality and relative poverty in Britain were at or near to their lowest ever levels. It is in the real income growth figures that the problems of the Wilson/Callaghan government and reasons for its demise are more apparent: overall living standards grew very slowly indeed.

## **CONCLUSIONS**

Some common points stand out from this analysis. First, there is no doubt that since 1997, the Government has taken poverty and social exclusion very seriously, in a way not done before. In almost all the areas we discuss there is evidence of recognition of the range of problems faced by Britain in the mid-1990s, not just in the most relevant departments, but in the Treasury, and in Downing Street, to which the SEU initially reported.

Second, the issues have been recognised as multi-faceted and inter-linked. Policy debates have focussed on cash incomes and services today, but also on long-term drivers of disadvantage and of life chances for children. This has partly followed from the impressive range of analysis on which government has drawn, both newly commissioned (for instance resulting from pilots and evaluations), and assembled from other sources. Whether or not policies were really ‘evidence-based’, much evidence has been assembled and made publicly available. Again, the Treasury and the SEU have taken the lead in much of this, but there have been other major investigations, such as on health inequalities or long-term care.

Third, New Labour has been prolific in its use of targets, and poverty and social exclusion have been the subject of 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 (or at least be amongst the best in Europe) within twenty years, 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 involve the government holding itself to account in a way that few of its predecessors have done. The annual *Opportunity for All* reports contain an assessment of progress against a wide range of indicators of poverty and social exclusion. If it could *not* point to progress on most of these, it would be a source of major embarrassment, at least.

By their nature, targets have to focus on specific objectives, but there are conspicuous omissions – most obviously for working age poverty (or for poverty of the population as a whole, as there is in Ireland), or for overall inequality (except in so far as it is monitored at EU level). In addition, a target is not in itself a policy, and there are areas where policy (let alone impact) appears to be lagging behind analysis and target-setting.

Fourth, for individual policy areas, there is much variation in the speed and scope of policy. Employment, education, child poverty, particular vulnerable groups (particularly of young people), and neighbourhood regeneration were early and continuing priorities, with substantial new resources. Children in the early years (particularly in terms of childcare) and pensioner poverty have become more important over time. But for others, while we identify a range of relevant initiatives, the scale of action looks less impressive by comparison with the challenge – ensuring that disadvantaged people have a real say over decisions that affect their own lives, might be an example, tackling inequalities between ethnic groups another. And not only have some vulnerable groups been left out when it comes to special treatment, but there are others – notably asylum seekers – where government policy has actively *increased* exclusion in the terms applied to other groups. The inclusion agenda has – literally – had borders.

In looking at the impact of policy, there are some initiatives with explicit evaluations or where we can make our own assessment. Most such evaluations have been positive, although the effects identified are not always

very large: the New Deals, literacy and numeracy hours in primary schools, Educational Maintenance Allowances, and some of the area-based initiatives. Simulation modelling shows that child poverty has been reduced by the tax and benefit reforms New Labour has introduced, and quickly enough to have a good chance of hitting its 2004-05 targets. Pensioner poverty should be falling by 2004-05, and overall income inequality has at least stopped growing as a result of tax and benefit policies, while it would otherwise have grown. Both our own analysis of spending patterns and the Families and Children Survey suggest that the income changes for parents with children are having clear benefits for their lives and standard of living. Our own study of twelve low income areas and our interviews with parents point to improvements in several important outcomes (but not on a uniform basis) and to the popularity of particular initiatives (such as Sure Start and changes in primary schools).

But in many areas no specific evaluations are available, and we depend on overall time trends. Two parts of the context for these may lead to contrasting overall judgements:

- The improvements we describe in many areas have taken place while the economy has been growing steadily, and indeed has been doing so for ten years. In some ways that makes it easier to achieve improvements, for instance in employment rates. But in others it makes it harder: achieving a reduction in relative poverty while general living standards are rising fast is harder than doing so when they are stagnating, particularly of course, if benefit levels remain price-linked.

Also, some of the groups now being reached out to are more deeply disadvantaged than those on the margins ten years ago.

- Second, the starting point when New Labour came into office was in many respects very poor, with particularly high levels of relative poverty, area polarisation, income inequality, and many indicators of exclusion having deteriorated. This also cuts two ways: is it relatively easy to cut poverty from a historically high level, or is it hard to start it moving in the right direction?

Finally, we have identified a number of recurring problems. In many areas there is an (often unacknowledged) conflict between government objectives of raising standards for all and of reducing differences between disadvantaged groups and others. For instance, much health policy has – naturally enough – aimed at improving the overall health of the population, but successes here have sometimes left the most disadvantaged lagging even further behind. Similarly, raising the proportion of children attaining five ‘good’ GCSEs has been a dominant aim, but reducing numbers with no qualifications or improving more basic skills have lagged behind.

By contrast, in other areas, there has been a growth in means-testing or other forms of targeting, which have allowed limited resources to be focussed on those in greatest need (for instance, incomes and services for older people). But as side effects, this may lead to problems of take-up and of widening disincentives to work or save.

Third, while there has been action on a commendable variety of fronts, earlier chapters and the summaries above identify a number of gaps, and 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 an alternative policy of simply earnings-linking all benefit levels without reform would have been. But it has left gaps, the consequences of which are becoming apparent – for instance in the way in which relative poverty rates for those of working age *without* children had reached record levels (albeit still below those for other groups) by 2002-03. The speed with which some of this group have gained enough income from employment to escape poverty has not been fast enough to offset the way in which others are being left further behind.

Linked to this, the policies we have examined are the result of many specific initiatives, often fostered by the Treasury or the Social Exclusion Unit. But there is no overall strategy for doing what, for instance, the Irish government aims to do, in ‘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.

There are two possible overall assessments of policy since 1997 that the evidence we have assembled should dispel. First, that there has been little



difference between the policies pursued in the years before 1997 and those pursued since. This is manifestly incorrect. In some of the most important areas, it is fair to say both that the tide has turned, and that policy has contributed to turning that tide. This is no mean achievement. A second reaction would be to go from this to conclude that policy has succeeded, and Britain has indeed already become a more equal society. In some respects it has, but in virtually all of the areas we have discussed in this book, there is still a very long way to go to reach an unambiguous picture of success, and sustained effort will be needed to make further progress.

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<sup>1</sup> See Hills (2004a, Chapter 3) for a discussion of the increasing inequality of *wealth* since the mid-1990s.