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Introduction to 'A more equal society? New Labour, poverty, inequality and exclusion'

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CHAPTER 1 INTRODUCTION

Kitty Stewart and John Hills

The Labour Government which took office in 1997 inherited levels of poverty and inequality unprecedented in post-war history. More than one in four UK children lived in relative poverty, compared to one in eight when Labour had left office in 1979 (DWP, 2004). Poverty among pensioners stood at 21%.¹ Income inequality had widened sharply: in 1979 the post-tax income of the top tenth of the income distribution was about five times that of the bottom tenth; by the mid-1990s that ratio had doubled (Hills, 2004, Table 2.5).

In opposition, the new government had been careful to avoid major commitments to addressing social and economic disadvantage. In practice, it has implemented a broad and ambitious social policy programme, taking on a wide-range of social ills, including child poverty, worklessness, area and neighbourhood deprivation, and inequalities in health and educational attainment. How much has this programme achieved? Shortly after the election, one of New Labour's prominent strategists had challenged "the doubters" to "judge us after ten years of success in office. For one of the fruits of that success will be that Britain has become a more equal society" (Peter Mandelson (1997, p.7). There is some time to go before this particular deadline, but as Labour nears the end of its second term in office this is still a good time to take stock. This book aims to assess the impact of government policies since 1997 on poverty, inequality and social exclusion. Is Britain indeed becoming a more equal society than it was when Labour was elected?

THE SCALE OF THE PROBLEM

Figures 1.1 and 1.2 place the changes in poverty and inequality that Labour inherited in the perspective of longer-term historical trends. Levels of poverty and inequality show fluctuation during the 1960s and decline in the 1970s before the sustained increases of the 1980s. By the early 1990s the lines on both figures have flattened out at what appears to be a new plateau high above the original plain. Unlike every other post-war decade, in which the gains of economic growth were shared across income groups, growth in the 1980s benefited the richest most and the poorest least. Indeed, on one measure, the incomes of the very poorest were *lower* in real terms in 1994/5 than they had been in 1979 (Hills, 2004, Figure 2.7).

[Figure 1.1 about here]

[Figure 1.2 about here]

Unemployment was high by historical standards in 1979 – and indeed had played a part in the Conservatives’ election victory, with ‘Labour isn’t working’ posters featuring prominently in the campaign. But unemployment soared during the 1980s (see Figure 1.3), passing the three million mark in 1983. After a sharp fall during the late 1980s boom, male unemployment peaked at nearly 14% in 1993, before another period of growth brought it back down towards 1979 levels: 8% in 1997 was relatively low in international

terms. However, the allocation of jobs across households had changed, with growing polarisation between households with two earners and those with no member in work. By 1997 more than 16% of households were workless, more than twice the 1979 level (Gregg et al., 1999).

[Figure 1.3 about here]

In part these developments can be attributed to global changes which led to falling demand for unskilled labour and increasing premiums for skills and qualifications. These pressures affected many countries, but the UK was hit harder than most. Long-term factors, such as the high proportion of the workforce with low qualifications, arguably made the UK particularly vulnerable, but government policy under Margaret Thatcher exacerbated the effects. Curbs on trade union powers, an end to the minimum wage protection provided through the wages councils, the move to linking benefits to price levels rather than to incomes, and changes to tax policy which shifted the burden from those with high to those with low incomes all played a significant part.

Certainly the UK's relative performance on poverty and inequality deteriorated sharply during this period. Figure 1.4 shows the change in the Gini coefficient between the start of the 1980s and the mid-1990s for the UK and ten other industrialised countries with available data. While the most equal countries saw slight increases in inequality over this period, the biggest changes took place in Australia, the USA and – most strikingly – the UK. By the mid-1990s

the Gini was higher in the UK than in any other country represented except the USA.

[Figure 1.4 about here]

A comparison of child poverty in the same fifteen countries placed the UK third from bottom: only the USA and Italy had a higher percentage of children living in relatively poor households in the mid-1990s (UNICEF, 2000). And while three other European countries (Finland, Belgium and France) had higher rates of household worklessness in 1996, among households with children worklessness was higher in the UK than anywhere else in the industrialised world (see Figure 1.5). Nearly 20% of UK households had no adult in work, more than double the OECD average.

[Figure 1.5 about here]

This was a tough legacy for a party traditionally concerned with the poor and dispossessed. In addition, the incoming government faced public services which had suffered from two decades of declining investment, a process which had begun with the visit of the IMF in 1976 and continued under Thatcher and into the 1990s. Overall public expenditure changed little as a share of GDP during the late 1970s and 1980s. But net public sector investment fell from an annual average of 5.9% of GDP between 1963 and 1976 to an average 3.1% between 1976 and 1980 and 1.3% between 1985 and 1995 (HM Treasury, 2000). Relative public sector pay had also fallen significantly, with nurses,

teachers and manual workers hardest hit: a young male teacher would have been ranked in the 72nd percentile position in the late 1970s (i.e., he would have earned more than 71% of the population), but only 63rd between 1995 and 1999; a young female manual worker (e.g. a hospital ward assistant) fell from the 55th to the 39th percentile over the same period. (Nickell and Quintini, 2002). This meant low morale, staff shortages and high rates of staff turnover in some of the most important areas of the public sector.

Surveys of public opinion at around the time Labour took office showed strong support for tackling many of these trends. In 1995 87% of those interviewed for the British Social Attitudes Survey (BSA) agreed that ‘the gap between those with high incomes and those with low incomes [in Britain] is too large’; up from 72% in 1983 and high by international standards (Spencer, 1996). Similarly, 71% of those interviewed in 1994 agreed that there was ‘quite a lot’ of ‘*real* poverty’ in Britain, up from 55% in 1986 (Hills, 2002). And 73% of respondents in 1998 thought it ‘definitely’ or ‘probably’ government’s responsibility to reduce the income differences between rich and poor.

When it comes to considering *how* the government might do this, opinion is more divided. The British Election Survey finds slow decline to 1992 in those agreeing that ‘income and wealth should be redistributed towards ordinary working people’ (54% in the mid-1970s down to 47% in 1992), followed by a sharp increase to 60% in 1997 (Heath et al., 2001, Table 2.9). The BSA shows falling support throughout the 1990s for the statement that ‘government should spend more on welfare benefits for the poor’, although in 1997 more people

(40%) still agreed than disagreed (Hills, 2002, Figure 1). But there is overwhelming support for the extension of public services, including health, education and welfare, even if this would mean higher taxes – 72% in favour in 1997, compared to 7% who would have cut taxes even at the expense of reducing services. In 1979 both options had received 34% support (Heath et al., 2001, Table 3.8).

Would the new government be able to harness public opinion to bring about real change?

THE GOVERNMENT'S STRATEGY

A radical dawn?

The initial euphoria which greeted Labour's election victory on May 2 1997 masked the fact that most people had had low expectations for the new government – fewer than three-quarters of the electorate had turned out to vote, for instance. The wave of excitement that swept the country may have been explained by a general expectation of change; it was unlikely to have been driven by any clear new strategy or specific pledges made by the Labour Party in opposition. In an interview shortly before the election, Tony Blair claimed he was going to be 'a lot more radical in government than many people think' (*The Observer*, 27 April 1997), underlining the cautious promises with which the party had approached the election.

Given Labour's recent electoral history their approach was understandable. As early as 1985, Neil Kinnock had argued that 'the harsh electoral reality' was that Labour could not rely 'merely on a combination of the dispossessed, the "traditional" and increasingly fragmented working class and minority groups for the winning of power', but needed to broaden its appeal (quoted in Heath et al., 2001, p.101). Kinnock initiated a major policy review which led to the party abandoning many of the policies believed to have cost it votes in 1983, including commitments to unilateral nuclear disarmament, to the extension of public ownership, to restoring trade union collective bargaining rights, and to withdrawal from the European Community (Seyd, 1998). These changes brought modest electoral benefits: Labour's share of the vote rose four points to 35% in 1992 – still less than it had achieved in 1979 after the winter of discontent (Heath et al., 2001).

In the aftermath of the 1992 election defeat the need to reposition the party grew in urgency. Many shared Giles Radice's view that social and economic trends were gradually eroding Labour's traditional core support in the trade unions, on council estates and among manual workers (Radice, 1992). When Tony Blair took over the leadership on John Smith's death in 1994 he made it clear that he intended the party to 'build a new coalition of support, based on a broad national appeal that transcends traditional electoral divisions' (Blair, 1994, p.7). The new target voters were to be those in 'middle income, middle Britain'; the strategy to appeal to those with economic and social aspirations, not just to the poor and disadvantaged (see Seyd, 1998; Heath et al., 2001). From the start, Tony Blair continually emphasised the idea that he was leading

a new and different party. In his speech to the 1995 Labour Party Conference, he used the word 'new' fifty-nine times, sixteen of them with reference to 'New Labour' (Seyd, 1998).

The 1992 defeat left Labour with a particular concern – almost an obsession – about the issue of tax. As Blair's strategy adviser, Philip Gould, put it in 1998: 'We were certain that we had lost elections in the past partly because of tax, and we were determined not to let it happen again this time' (quoted in Heath et al., 2001, p.44). As shadow chancellor, John Smith had proposed the restoration of a 50% tax rate on incomes over £40,000 and the extension of national insurance contributions on incomes over £22,000. An analysis of poll data had found no evidence that these proposals had cost Labour the 1992 election (Heath et al., 1994), but after four successive defeats the Labour Party were not willing to take risks. In January 1997 Gordon Brown made a public commitment to stick to the Conservatives' spending plans for the first two years of a new Parliament, and not to raise either the basic or top rates of income tax. This pledge seems to have registered with the public: for the first time, 1997 saw roughly as many people (31%) place themselves to the left of Labour on taxes and spending as to the right (34%) (Heath et al., 2001, Table 6.4). In 1992 19% had put themselves to Labour's left, against 57% to the right.

The commitment on spending was not simply about getting elected. Heath et al. (2001) argue that Labour had failed in the past due to a lack of realism and effectiveness in managing the economy, and that the modernizers accepted this.

Labour administrations in the 1960s and 1970s had spent heavily in the first years in office and paid the price later on. New Labour was determined to be different. Sticking to Conservative spending plans at the start would enable the new government to prove its competence, whilst getting the economy ready for increased expenditure in the second half of the Parliament.

So the party that took power in 1997 promised little in the way of major change for those living in poverty. It had abandoned the traditional tax and spend commitments associated with the Labour Party. It had distanced itself from the unions and shed any commitment to securing full employment. The 1997 election manifesto contained just two references to reducing poverty, one in the context of tax and benefit reform to reduce welfare dependency, and the other about helping people into jobs. There was one (very general) reference to tackling inequality, but no mention of social exclusion or the excluded. The manifesto did place a strong emphasis on the importance of addressing educational disadvantage. It also promised to introduce a national minimum wage and to tackle long-term unemployment, particularly among young people: one of the five much trumpeted 'early pledges' was to get 250,000 under 25s off benefit and into work, using money from a windfall tax on the privatised utilities. But the biggest changes proposed were arguably the constitutional reforms, including the reform of the House of Lords and devolution for Scotland and Wales.

Though never appearing high on the agenda, Blair's rhetoric prior to the election had made reference to the dispossessed. In January 1996 he had

proclaimed that 'for the new Millennium we need a war on exclusion and a determination to extend opportunity to all' (Levitas, 2000). In July of the same year he wrote in the *Independent on Sunday*: 'If the next Labour Government has not raised the living standards of the poorest by the end of its time in office, it will have failed' (Blair, 1996). But under some definitions, the living standards of the poorest had risen slightly even under Thatcher, so this could hardly have been more modest an ambition. However, as Labour Minister Margaret Hodge would put it in 2000, 'in the latter days of Opposition, few Labour politicians chose to promote equality for fear of losing electoral support' (Hodge, 2000, p.34). 'Have faith' was Blair's message to his critics on the left (Blair, 1996). It was impossible to know whether goals would become more ambitious once Labour was safely in office.

New Labour in Office

In their analysis of Labour's first term, Toynbee and Walker point to Blair's visit to a Peckham estate in June 1997 as the first clear indication that poverty and disadvantage were on the government's agenda. In what was particularly significant for being his first major speech as Prime Minister outside the House of Commons, Blair promised 'no forgotten people and no no-hope areas', committing the government to addressing 'the dead weight of low expectations, the crushing belief that things cannot get better'. As Toynbee and Walker describe it, 'cheers went up from those hanging out of tower-block windows but also around the country from those who had voted Labour but had been waiting for a clear statement of intent' (Toynbee and Walker, 2001, p.10).

Within months social exclusion had become a central government concept. In August 1997 Peter Mandelson announced the creation of the Social Exclusion Unit, denouncing the ‘scourge and waste of social exclusion’ as ‘the greatest social crisis of our times’ (Mandelson, 1997). Social exclusion would never receive a clear definition, but it was clear from the series of attempts to define it that the government’s concern was with multiple deprivation. At the SEU launch in December Blair described it as ‘... about income but ... about more. It is about prospects and networks and life-chances. It’s a very modern problem, and one that is more harmful to the individual, more damaging to self-esteem, more corrosive for society as a whole, more likely to be passed down from generation to generation, than material poverty’ (quoted in Fairclough, 2000, p.52). Later, he would define it as: ‘a short-hand label for what can happen when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown’ (DSS, 1999, p.23). The SEU was seen as important precisely because of the interrelations between these different problems: it would ‘improve understanding of the key characteristics of social exclusion’ and co-ordinate policy across departments and with local authority and voluntary organisations, to provide ‘joined-up government for joined-up problems’.

While those who had called for action to tackle deprivation were pleased – perhaps relieved – that this was clearly a New Labour priority after all, there was concern that talking about social exclusion was a way of disguising the fact that nothing was being done about income inequality and material poverty.

Fairclough (2000) points out that Blair's first definition above moves seamlessly from defining social exclusion as about 'more than income' to a formulation in which exclusion is contrasted with material poverty – i.e., it is not about income at all. Similarly, Levitas (1998) notes that (in the passage that begins this chapter) Mandelson speaks of achieving a more equal society through many routes, '*not just* the redistribution of cash from rich to poor' (her emphasis), but that he goes on to make it clear that these other routes – promoting employment and improving educational standards – must take priority (see Mandelson, 1997, p.8). The announcement of the SEU's programme for the first six months made it clear that income poverty was not part of its brief: the first areas to be looked at were school exclusions, rough sleeping, and poor areas; to be followed by teenage pregnancy and 16-18 year olds not in education, training or employment. In the week of the 1997 Labour Party Conference, fifty-four professors of social policy and sociology wrote to the Financial Times welcoming the establishment of the SEU but expressing concern that its agenda did not include the adequacy of benefit levels. They argued that, by ignoring the need for income redistribution, the government was trying 'to tackle social exclusion with one hand tied behind its back' (Lister and Moore, 1997).

However, the fact that redistribution was not part of the SEU's brief did not necessarily mean that material poverty was being ignored. The Treasury kept firm control of tax-benefit policy from the start, and the SEU agenda is consistent with a strict division of labour between the two bodies. One of Gordon Brown's first priorities at the Treasury was a welfare-to-work

programme. As had been promised in the manifesto, the first Labour budget in July 1997 announced that the windfall levy on privatised utilities – the only major source of additional funds available during the first two years in office – would be used to fund a New Deal for Young People, with some of the money set aside for a New Deal for Lone Parents. Alongside programmes helping the workless into jobs, Brown was also keen to ensure that paid work made financial sense: on the day after the election, he told the Treasury to start developing plans for a tax credit scheme for the working poor (*The Guardian*, 26 November 1997), formally announced in the March 1998 budget as the Working Families Tax Credit (WFTC). A commission to investigate a starting level for the national minimum wage was also established in these first few weeks.

The emphasis on work-based policies reflected Brown's belief that 'the most serious cause of poverty is unemployment' (Pre-Budget Report, Nov 1997) and that 'the answer to social exclusion is economic opportunity' (1998 Budget Speech). But while the WFTC received a cautious welcome as a means of boosting the incomes of low-paid workers, it did not allay the concerns of those worried about people unable to work for a wide range of reasons: it did not address the points expressed in the Lister-Moore letter.

The row which broke out in late 1997 over cuts in benefits for lone parents reinforced the impression that work was considered the only solution to poverty and did serious and lasting damage to Labour's reputation as a government genuinely concerned about the least well-off. The outgoing

government had proposed the cuts, eliminating top-ups to income support and child benefit received by single parents, and Labour pressed ahead with them to keep their commitment to stick within Conservative spending limits. The decision provoked huge outrage and led to a backbench rebellion of 47 MPs just seven months after election victory. The March 1998 budget would subsequently leave the majority of lone parents better off overall as a result of universal increases in child benefit and higher income support allowances for all children under 11, but many people's attitudes to New Labour social policy had been set and would prove difficult to shift.

The increase in income support for families with children was significant, as it represented the first move to raise benefits for those out of work. The Spring 1999 Budget would raise income support for young families again, and more sharply, while also increasing the generosity of the prospective WFTC. The government appeared to be quietly beginning to address some of the concerns expressed by its critics on the left.

Then, shortly after Budget Day 1999, Tony Blair made an unexpected announcement. At a lecture in memory of William Beveridge, he committed the government not just to reducing but to eliminating poverty among children: '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' (Blair, 1999). The pledge was followed up with concrete interim targets: the Treasury and the Department for Work and Pensions were instructed to reduce the proportion of

children living in relative poverty (with incomes below 60% of the contemporary median) by a quarter by 2004.

Despite the gentle overtures of the 1998 and 1999 budgets, it is widely agreed that Blair's Beveridge speech marked a sea-change in both the government's language and its policy approach (Lister, 2001; Deacon, 2003). There is less consensus about where this change appeared from, and why it happened when it did (see Deacon, 2003). One theory is that, with the two-year commitment to the Conservative spending plans coming to an end, the government was now able to declare openly the goals it had had all along. Alternatively, the announcement may have been a reaction to the rebellion over lone parent benefit cuts.

Both factors are likely to have played a part, but a third element was almost certainly the growing recognition of the extent to which opportunities available to adults are diminished by the experience of poverty in childhood. In a pamphlet on the Third Way in 1998 Blair had declared the four values 'essential to a just society' to be 'equal worth, opportunity for all, responsibility and community' (Blair, 1998, p.3), and since then opportunity had become a government watchword. At about the same time as the Beveridge speech, the Treasury released a report based on research into the dynamics of opportunity (CASE/HM Treasury, 1999). The message was clear: 'Childhood disadvantage has long term scarring effects... Children who grow up in poverty are much less likely to succeed as adults' (HM Treasury, 1999,

p.26 and p.3). If the government was serious about providing everyone with real opportunities, it had to begin by tackling child poverty.

Early 1999 also saw the government announce an annual audit of poverty and social exclusion. When the first report was published in September of the same year, it was called *Opportunity for All* (OFA), underlining the framework within which the attack on poverty was understood (DSS, 1999). OFA represents an excellent summary of government thinking and intentions on poverty and social exclusion in 1999 - a sort of second manifesto, and one offering a vision hugely different and more ambitious than the manifesto for the 1997 election.

Starting from the commitment to tackle poverty and its causes, the report outlined what the government saw as the 'complex, multi-dimensional problems' of poverty and social exclusion (DSS, 1999, p.2). The key features were listed as lack of opportunities to work, lack of opportunities to acquire education and skills, childhood deprivation, disrupted families, barriers to older people living active, fulfilling and healthy lives, inequalities in health, poor housing, poor neighbourhoods, fear of crime, and disadvantage or discrimination on grounds of age, ethnicity, gender or disability (DSS, 1999, p.2). The report promised 'an integrated and radical policy response' to these combined problems (DSS, 1999, p.23), and emphasised the importance of long-term solutions, and of flexible action geared to local needs.

Tackling childhood deprivation lay at the heart of the strategy outlined, with three essential policy areas highlighted: education, including pre-school education; policies to tackle family worklessness and poverty through changes to the tax-benefit system and improvements to childcare provision; and policies supporting young people in the transition between childhood and adulthood, including increasing participation and learning by 16-18 year olds, improving outcomes for children leaving care, and action on teenage pregnancy.

The second theme was employment. In language by now familiar, the report asserted that ‘worklessness is the main cause of poverty and social exclusion’ (DSS, 1999, p.78); ‘work for those who can’ (DSS, 1999, p.7) is therefore key to the solution. Again, the response was to be multi-pronged, taking in welfare-to-work programmes, changes to incentives to make work pay, policies to promote ‘lifelong learning’ to improve skills, and action on health inequalities.

Employment was also a central part of the strategy for combating poverty among future generations of pensioners. For current pensioners, OFA highlighted increases to benefit income and action to eradicate fuel poverty, as well as action on health, housing, transport and crime; all aimed at improving opportunities for pensioners to live ‘secure, fulfilling and active lives’.

Finally, OFA contained a chapter on the importance of area-based solutions to social exclusion, identifying ‘the increasing polarisation between thriving communities on the one hand, and deprived ones on the other’ as ‘one of the

key problems of our society over the past 20 years' (DSS, 1999, p.11). The report promised area-based programmes to improve the quality of life in the most deprived communities by improving job prospects, tackling crime, improving educational achievement and reducing poor health.

Four annual OFA update reports have now been published, each re-emphasising the themes identified above – although the most recent reports have given slightly more central roles to the provision of support to those unable to work (in particular the disabled) and to 'tackling inequalities by improving public services' (DWP, 2002). Labour's election manifesto for 2001 echoed many of the OFA themes, with 'opportunity for all children, security for all pensioners' one of the ten goals listed for 2010. In contrast not just to the 1997 manifesto, but to election manifestos throughout the 20th century (see Kenway, 2003), poverty is mentioned 19 times in a domestic context; all are references to children and pensioners. Opportunity or opportunities (in the relevant sense) are mentioned no less than 42 times.

Since then, the government's language on these issues has had periods of both expansion and retrenchment. At the 2002 Labour Party Conference, Gordon Brown made a pledge to abolish pensioner poverty – 'Our aim is to end pensioner poverty in our country' (cited in Goodman et al., 2003, p.2) – although, unlike the child poverty pledge, this was not accompanied by explicitly quantified targets. 2002 also saw Tony Blair refer to redistribution for the first time, calling for a Britain 'in which we continue to redistribute power, wealth and opportunity to the many not the few' (Blair, 2002). But the

furor which developed in June 2003 when Labour Minister Peter Hain called for a public debate about raising income tax for those with very high incomes made it clear that the government was not prepared to contemplate any major explicit shift in direction. In March 2004 Social Exclusion Minister Yvette Cooper appeared to set new boundaries in announcing that ‘if we are to achieve social justice in the next generation, we have to tackle inequality as well as exclusion’, but she went on to make it clear that her concern lay with inequalities in life chances not outcomes (Cooper, 2004).

ASSESSING THE IMPACT

OFA and the child poverty pledge laid the groundwork for what has become a wide-ranging and ambitious set of policies. This book aims to assess the overall impact these policies have had to date on the situation of groups and individuals living in poverty or at risk of exclusion when the government came to power. Before going any further, however, it may be helpful to clarify the terms under which our assessment will be made. Are we assessing the government’s success in meeting their own objectives, or in meeting an alternative set of objectives that we believe they ought to have had? And if the latter, is it reasonable to be judging progress towards goals that the government itself might not accept as legitimate?

This government has been very good at setting itself targets. OFA contains ‘indicators of success’ in each of the areas it has set out to tackle; the annual OFA updates report on progress towards these goals. Overall reported progress has been good: the 2003 results show that 32 of the 43 outcome indicators for

which there are data have been improving, not just over the most recent year but in the medium-term (roughly since Labour came to power), while only two have got worse in the most recent year, and *none* have got worse over the full period (DWP, 2003b).

Assessing the government's success in meeting its own objectives could therefore be a relatively straightforward task, with a lot of the work already done, although the tricky question of whether the targets set were sufficiently ambitious remains. A more fundamental question is whether we accept the government's objectives; that is, whether we accept their understanding of the key elements of poverty and social exclusion. An overview of alternative discourses on social exclusion is helpful here.

Concepts of poverty and social exclusion

Perhaps the most useful place to start is with Levitas (1998), who identifies three different approaches to social exclusion used in contemporary political debate, each with its own implications for policy solutions. The first, which Levitas labels the redistributionist discourse (RED), sees social exclusion as a consequence of poverty: it is income that the excluded lack, so raising benefit levels would be one effective policy response. The second, the social integrationist discourse (SID), sees inclusion primarily in terms of labour market attachment. The excluded are those who are workless, leading to a focus on policies which encourage and enable people to enter paid work. The third approach is labelled by Levitas as the moral underclass discourse (MUD)

and places responsibility for social exclusion on the ‘moral and behavioural delinquency’ of the excluded themselves.

Levitas argues that ‘Labour understands social inclusion primarily in terms of participation in paid work’ (p.128); it is an understanding based heavily in SID. (She also suggests that certain policies, such as benefit cuts for lone parents, have undertones of MUD, but there is little hard evidence of any genuine belief in a moral underclass.) As we have seen, employment takes centre stage in OFA alongside tackling childhood deprivation, and Labour’s rhetoric has consistently emphasised employment as the route out of poverty and exclusion. However, the simplification that the Levitas position inevitably represents is unfair to Labour in 2004. While early language and policy suggested welfare-to-work programmes would be the main plank of Labour’s social policy, subsequent developments have resulted in a much richer set of policies than would have been predicted in 1998, as discussed above. There is much in OFA – and there has been extensive policy action – concerning non-employment barriers to participation, including poor health, poor housing, high levels of crime and poor neighbourhoods.

Still, this leaves the question of whether Labour’s approach has any foundations in RED. On the one hand, while the language of redistribution has clearly been downplayed, there has been considerable ‘redistribution by stealth’ to non-workers, and not just to families with children but also to pensioners and to some disabled claimants. ‘Security for those who cannot’

may have received less attention than many would like but it has not been ignored altogether.

On the other hand it can be argued, first, that the interpretation of ‘unable to work’ has been narrow: there has been little sympathy for workless adults without children who are not registered disabled. Working-age adults without children tend to be overlooked in poverty assessments: poverty among all working-age households is tracked in OFA, but this includes (and hence figures are strongly affected by) households with children.

Second, where redistribution has taken place it has been clearly – and often explicitly – limited to improving the situation of those at the bottom relative to the middle, with the position of those at the top considered irrelevant. Equality has been redefined as equality of opportunity, with a sense that this can be achieved without tackling income inequality overall. This is a convenient position for New Labour, as Margaret Hodge acknowledged in 2000: ‘[Equality of opportunity] allows us to position ourselves as promoting both individual ambition and prosperity, whilst still tackling inequality. That appeals to middle Britain’ (Hodge, 2000, p.35). But does it make sense? Is it possible to ‘create equality through public services’ (Hodge, 2000, p.39) against a background of huge inequalities in income and accumulated wealth, which allow many people to opt out of those services? As Lister (2001) argues, ‘equality of opportunity in the context of economic and social structures that remain profoundly unequal is likely to remain a contradiction in terms’.

A working definition developed by Burchardt, Le Grand and Piachaud (BLP) provides a second perspective on social exclusion (Burchardt et al., 2002). Synthesising a number of previous formulations, BLP define social exclusion in terms of non-participation in key activities. For the UK in the 1990s they identify four dimensions: consumption (the capacity to purchase goods and services); production (participation in economically or socially valuable activities); political engagement (involvement in local or national decision-making); and social interaction (integration with family, friends and community). Participation in every dimension is regarded as necessary for social inclusion.

The first two of the BLP dimensions can be seen as rooted in RED and SID respectively, although the type of productive activity that brings about social integration is understood more widely here than elsewhere, going beyond the paid labour market to include, for instance, caring activities and volunteering. But the third and fourth dimensions broaden the concept to include ways of participating that are often overlooked. In particular, this conceptualisation highlights the importance of empowerment – of having a voice in decisions that affect one’s life. This is not a concept which features explicitly in the government’s understanding of social exclusion. Neither political nor social participation is mentioned in OFA as important in its own right; ‘partnership’ is promoted but because it is likely to result in more successful programmes – ‘real progress can only be achieved by working together’ (DSS, 1999, p.3).

Finally, we consider the most comprehensive recent attempt to choose indicators to monitor social inclusion at European level. Social exclusion has been growing in importance on the European agenda, and the European Council Summit in March 2000 led to the development of a common set of indicators to track progress towards tackling the problem. *Social Indicators* (Atkinson et al., 2002) was written as a key part of the consultation process.

The Atkinson report is similar to OFA in taking a pragmatic approach to defining social exclusion: given the aim of contributing to policy, it sidesteps the definition minefield and opts simply to accept the terms social inclusion and social exclusion ‘as *shorthand* for a range of concerns considered to be important in setting the European social agenda. There is, we believe, broad agreement about the list of such concerns, which encompass poverty, deprivation, low educational qualifications, labour market disadvantage, joblessness, poor health, poor housing or homelessness, illiteracy and innumeracy, precariousness and incapacity to participate in society’ (Atkinson et al., 2002, p.3). Thus, like OFA, the report focuses on key features commonly accepted to be important though not within any particular framework.

The starting points of *Social Indicators* (SI) and of OFA are naturally rather different, as the former aims to identify indicators appropriate across the European Union. But a comparison of the indicators chosen is still informative. The SI list is smaller and more limited in scope, with indicators of five broad areas: financial poverty and income inequality; education;

employment and unemployment; health and housing. But while the list is inevitably less rich overall, it finds space for a number of measures not included in OFA. All of these relate to financial circumstances: low income and financial hardship are given much greater prominence than they receive in OFA. In particular, first, where the OFA employment measures focus on rates of employment and joblessness, the SI list includes indicators assessing the relationship between employment/unemployment and low income: measures of low pay among employees and the share of the workless living in poverty are included, with clear implications for policy. Second, the SI list includes a measure of overall income inequality, the quintile share ratio. It should be noted that most of the indicators mentioned, including the quintile share ratio, feature in the final list adopted at the Laeken European Council Summit in December 2001 by all Member States including the UK. So the UK government has signed up to being monitored on an income inequality measure as part of its commitment to furthering social and economic cohesion in the EU.

Outline of the book

This book also takes what might be deemed the key features approach. It includes chapters that cover what the BLP framework sees as dimensions of social exclusion, chapters that examine causes or risk factors, and chapters that focus on particular groups where poverty or social exclusion was high when the Labour government took office. Up to a point, the layout and themes of the book reflect the OFA 'key features' listed above: most of these have one

chapter dedicated to them; all but one of the others is covered somewhere in the book. (The exception, disrupted families, is rather unique in that it lies largely beyond the reach of the state.)

However, our assessment goes beyond the terms of the government's framework in a number of ways. First, our interpretation is broader, giving more space to aspects of social exclusion that receive little attention in OFA but which are central to other understandings of the concept. Two elements in particular stand out, reflecting the two gaps in the government's coverage identified above: the book includes a chapter (Chapter 5) on social and political participation; and it gives greater focus to income poverty and income inequality, with Chapter 11 considering the overall impact of policy on the income distribution.

Second, the aim is not just to evaluate the government's success in achieving particular policy goals, but to consider the overall impact in contributing to a fairer and more equal society. This means considering policies which may have had an adverse effect on the wider goal: the introduction of tuition fees for higher education might be an example. It means considering groups overlooked or ignored by the government: hence Chapter 10 on vulnerable minorities looks at what happened to asylum seekers as well as to those groups targeted by the Social Exclusion Unit. Finally, it involves assessment – though this is usually very difficult – of how far policies are in fact responsible for outcomes: in some cases other factors, such as broader macroeconomic

changes, may have contributed to apparent successes or, alternatively, made objectives more difficult to attain.

Following this introduction, the book is divided into four parts. The chapters in Part I each explore policy and outcomes relating towards a particular cause or aspect of social exclusion. In Chapter 2, Abigail McKnight examines employment, at the heart of the New Labour project. The chapter considers the combined impact of macroeconomic policy, the New Deals, the National Minimum Wage and changes to the tax-credit system on employment, unemployment and inactivity. In Chapter 3, Abigail McKnight, Howard Glennerster and Ruth Lupton look at changes to policy affecting compulsory and post-compulsory education and whether these have had an impact on inequalities in educational attainment. In Chapter 4, Franco Sassi examines health inequalities, an area subject to considerable prominence, a number of targets and several government enquiries, but where policy action has been less clear. In Chapter 5, Liz Richardson asks whether the government has given disadvantaged people a greater say over decisions affecting their lives. She looks at attempts to improve formal political participation, but also at changes which have affected both informal participation and social participation with a social benefit, such as community self-help activities.

Part II focuses on groups at particular risk of social exclusion, or among whom poverty was especially high when Labour came to power. In Chapter 6 Ruth Lupton and Anne Power consider the government's attempts to regenerate poor neighbourhoods and ensure that 'no-one... [is] seriously disadvantaged by

where they live'. In Chapter 7 Kitty Stewart looks at policy towards child poverty and child deprivation. She asks whether the government is on track to meet its first child poverty target before going on to consider the impact on disadvantaged children of the government's early years policies.

Chapter 8 turns to the other end of the age spectrum, examining policy affecting poverty and social exclusion among older people. Jane Falkingham and Maria Evandrou look in turn at policies affecting each of the priorities for older people outlined in OFA. In Chapter 9, Coretta Phillips examines Labour's strategies to reduce ethnic inequalities. She argues that there have been few initiatives directed specifically at minority ethnic groups; rather, broader policies aimed at reducing disadvantage in general have been expected to lift minority groups with them. She assesses the impact of this approach on long-standing inequalities in education, employment and policing. Chapter 10 turns to the role of the Social Exclusion Unit. Tania Burchardt considers the success of the SEU in co-ordinating better responses to the problems of a number of disparate vulnerable groups, including truants, young people not in education, employment or training and rough sleepers. But she also notes that not all vulnerable groups have been targeted by the SEU. For one set of people in particular, asylum seekers, policy has been actively exclusionary; the chapter traces developments under New Labour for this group.

Part III contains chapters that take a step back from individual policy areas to examine the combined impact of policy or to provide a wider perspective. In Chapter 11, Tom Sefton and Holly Sutherland look at changes in overall

poverty and inequality. Chapters 12 and 13, in very different ways, each give a more detailed insight into what policy changes have meant in reality for families with children. In Chapter 12, Paul Gregg, Jane Waldfogel and Elizabeth Washbrook use recently available expenditure data to examine how increases in family income resulting from tax-benefit and employment changes have affected household spending patterns. For instance, have low-income families been able to increase their spending on items likely to promote children's health, learning and development (fruit and vegetables, toys and books)?

Chapter 13, by Anne Power and Helen Willmot, presents results from a CASE study which has tracked 200 families in four deprived areas since 1999. This chapter is rather different to most of the rest of the book in presenting qualitative findings. It offers a unique opportunity to see how reforms are viewed on the ground: respondents (mostly mothers) explain in their own words whether and how they have been affected by recent policy changes in the areas of employment, education, neighbourhood renewal and community empowerment.

The last chapter in Part III, Chapter 14, provides an international perspective: Kitty Stewart looks at how levels of poverty and inequality in the UK now compare to those in other industrialised countries, and at the factors underlying remaining differences.

In Chapter 15, we pull together the threads of the book with the aim of reaching an overall assessment of the government's record. Does the evidence of the previous chapters add up to a substantial assault on the levels of poverty, inequality and social exclusion inherited in 1997? As this becomes the first Labour government in history to complete a full second term in office, how much of a difference can it be said to have made?

Finally, a word on devolution. One of the most significant reforms of Labour's first term was constitutional, with separate assemblies and greater powers over a number of areas of domestic policy for Scotland and Wales. With the Northern Ireland experience included, this means three or four variants across the UK for many of the policies discussed in this book. In some cases, this means little more than different names and details for policies moving largely in the same direction, but in other cases the differences are of more substance. The book is unable to do full justice to the wide variety of experience, and discussion is often confined to the situation in England, but chapters aim to draw attention to the most significant policy differences, where these vary, particularly where these appear to have led to differences in outcomes.

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¹ In both cases, the poverty line is 60% of the equivalised contemporary median, and both are given for a Before Housing Costs income measure. After Housing Costs, child poverty was 34% in 1996/7 and pensioner poverty 27%.