

[Howard Glennerster](#)

Spreading wealth and encouraging enterprise

Book section

Original citation:

Glennerster, Howard (2011) *Spreading wealth and encouraging enterprise*. In: Knight, Barry, (ed.) *A minority view: what Beatrice Webb would say now*. Series on poverty (1). Alliance Publishing Trust and the Webb Memorial Trust, London, UK, pp. 41-48. ISBN 9781907376115

© 2011 [Webb Memorial Trust](#)

This version available at: <http://eprints.lse.ac.uk/43852/>

Available in LSE Research Online: May 2012

Creative Commons Attribution- Noncommercial-No Derivative Works 3.0

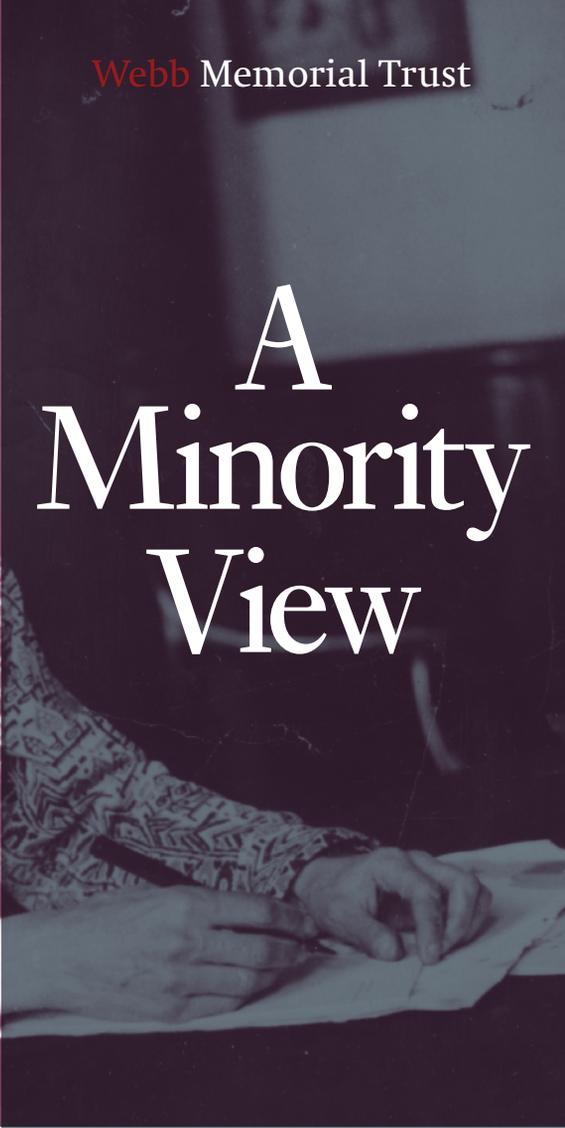
LSE has developed LSE Research Online so that users may access research output of the School. Copyright © and Moral Rights for the papers on this site are retained by the individual authors and/or other copyright owners. Users may download and/or print one copy of any article(s) in LSE Research Online to facilitate their private study or for non-commercial research. You may not engage in further distribution of the material or use it for any profit-making activities or any commercial gain. You may freely distribute the URL (<http://eprints.lse.ac.uk>) of the LSE Research Online website.

This document is the author's submitted version of the book section. There may be differences between this version and the published version. You are advised to consult the publisher's version if you wish to cite from it.



Webb Memorial Trust

A Minority View



What
Beatrice Webb
would say now

Beatrice Webb Memorial
Series on Poverty
VOLUME 1

Webb Memorial Trust

A
Minority
View

What
Beatrice Webb
would say now

EDITOR
BARRY KNIGHT

Beatrice Webb Memorial
Series on Poverty
VOLUME 1



Published by Alliance Publishing Trust

Copyright © 2011 Webb Memorial Trust



Creative Commons Attribution-Noncommercial-No Derivative Works 3.0

You are free to share – to copy, distribute, display, and perform the work – under the following conditions:

- Attribution: You must attribute the work as *A Minority View: What Beatrice Webb would say now* © 2011 Webb Memorial Trust.
- Non commercial: You may not use this work for commercial purposes.
- No Derivative Works: You may not alter, transform or build upon this work.
- For any reuse or distribution, you must make clear to others the licence terms of this work.

ISBN 978 1 907376 11 5

Alliance Publishing Trust
1st Floor, 25 Corsham Street
London N1 6DR
United Kingdom

publishing@alliancemagazine.org
www.alliancepublishing.org

Registered charity number: 1116744
Company registration number: 5935154

A catalogue record for this book is available from the British Library.

Typeset in Ehrhardt
Design and typesetting: Benedict Richards
Printed and bound by Hobbs the Printers,
Totton, Hampshire, UK

This book is printed on FSC approved paper.



CONTENTS

* * * * *

	About the authors	5
CHAPTER 1	Introduction	9
	<i>Barry Knight</i>	
CHAPTER 2	No inclusive society without minimum income standards	21
	<i>John Veit-Wilson</i>	
CHAPTER 3	Supporting poor children in working families	31
	<i>John Welshman</i>	
CHAPTER 4	Spreading wealth and encouraging enterprise	41
	<i>Howard Glenmerster</i>	
CHAPTER 5	Stop taxing people into poverty	49
	<i>Peter Kenway</i>	
CHAPTER 6	Hands off child benefit!	59
	<i>Jonathan Bradshaw</i>	
CHAPTER 7	People, places and poverty: getting away from the neighbourhood	71
	<i>Steve Osborn</i>	
CHAPTER 8	Race and poverty: is affirmative action the answer?	85
	<i>Ranjana Bell</i>	
CHAPTER 9	Gender inequality and women's poverty	93
	<i>Sue Robson and Marian McGuinness</i>	
CHAPTER 10	What is to be done?	117
	<i>Barry Knight</i>	

ABOUT THE AUTHORS

* * * * *

Barry Knight (editor) is a trustee of the Webb Memorial Trust. As executive director of CENTRIS, he works as adviser to the Ford Foundation, Charles Stewart Mott Foundation, Global Fund for Community Foundations, Sabanci Foundation, Foundations for Peace and the Norwegian Peacebuilding Centre. He is co-chair of the Working Group on Philanthropy for Social Justice and Peace, which is developing a learning community of practitioners across the globe. His earlier career includes appointments at the Home Office and Cambridge University. He has written books about civil society, voluntary action, economic development, democracy and social justice.

Ranjana Bell has nearly 30 years of experience in the field of equality and diversity. She has previously worked as a teacher of children with special needs, a local authority race advisor and a university equalities officer. In 1998, she set up RBA Equality and Diversity Ltd, and now advises many public sector organizations on the subject. She has been a lay member of employment tribunals for over 10 years and is a member of the expert 'race panel'. In 2007, she completed a four-year term as commissioner for the Women's National Commission, and is currently the independent chair for the CPS (NE) Scrutiny Panel for Race and Religious Hate Crime. She was awarded the 'Lifetime Community Achievement Award' from the Taste of Africa Diversity Awards in October 2009.

Jonathan Bradshaw CBE, FBA is professor of social policy at the University of York. His recent research includes the measurement of extreme poverty (European Commission), subjective child wellbeing (The Children's Society), and child social protection in the CEE/CIS countries (UNICEF). He is a board member of the International Society for Child Indicators (ISCI) and the Foundation for International

Studies in Social Security (FISS), and chair of the Management Committee of the Welfare Benefits Unit. He is publishing *Child Wellbeing in the United Kingdom* (Policy Press) in 2011. He was appointed CBE in 2005 for services to child poverty.

Howard Glennerster is now professor emeritus of Social Policy at the London School of Economics. He worked in the Labour party research department from 1959 to 1964, and was chairman of the Young Fabians in 1964 as well as the author of several Fabian pamphlets. He spent most of his working life teaching at the LSE, with periods also spent in the United States. He is author of *British Social Policy: 1945 to the present*, now in its third edition, *Paying for Welfare* and *Understanding the Finance of Welfare*.

Peter Kenway is cofounder and director of the New Policy Institute, an independent think-tank set up in 1996 to promote evidence-based analysis of social problems and associated especially with its annual *Monitoring Poverty and Social Exclusion* report, published by the Joseph Rowntree Foundation. By background a transport planner (at London Transport) and economist (at Reading University), a major theme of Peter's work has been the ambiguous role played by the state, whether the conservative nature of the post-war Keynesian orthodoxy, the paradoxes of privatization in 1980s Britain and 1990s eastern Europe or the poverty exacerbated by a government committed to its eradication. Peter's published work can be found on the NPI website: www.npi.org.uk

Marian McGuinness is a children's service manager for Barnardo's, and a director of the Community Development Exchange. She has over 30 years of community development experience in voluntary and public sector contexts in the north-east and nationally. Marian's career in community work started in the 1980s, as a volunteer near her home. She went on to gain a youth and community qualification from Sunderland Polytechnic in 1985, and returned in 2006 to study for a postgraduate diploma in gender, culture and development.

Steve Osborn studied sociology at Goldsmith's College and began his career as a research officer at the Institute of Criminology, Cambridge University. He went on to join the National Association for the Care and Resettlement of Offenders (NACRO), and in 1990 he set up the Safe Neighbourhoods Unit. In 2004, he was cofounder of Primetrics, a consultancy carrying out research, evaluation and performance reviews in the social and economic policy fields. He is currently chief executive at the Institute of Optometry, and has published widely – his most recent book being *Moving on from Clays Lane* (Osborn and Farr, 2008, London Development Agency).

Sue Robson is a freelance researcher and community development practitioner with extensive experience of working with marginalized groups. Her feminist consciousness was raised in the mid-1980s as a young working class woman volunteering in a local youth club. Feminism and the women's movement have been major influences on her professional practice ever since. She has been the co-ordinator of a network

of women's voluntary organizations in the north-east since 2008 and is an associate researcher for Women's Resource Centre. She has published work with Oxfam UK Poverty Programme and Government Equality Office, among others. Sue is currently working towards her PhD at Durham University.

John Veit-Wilson was educated at the universities of Cambridge and Stockholm in economics, social anthropology and social policy. After five years in business management, in 1964 he joined the UK National Poverty Survey as a research officer. He taught social policy for 25 years at Newcastle Polytechnic (now Northumbria University), where he is emeritus professor of social policy, and has worked at Newcastle University on an honorary basis since 1992, currently as visiting professor in sociology. He was a founder member of the Child Poverty Action Group and is now a trustee. His published work includes *Setting Adequacy Standards: how governments define minimum incomes* (The Policy Press, Bristol, 1998) and 'Some social policy implications of a right to social security' (in J Van Langendonck (ed) (2007) *The Right to Social Security* Intersentia, Antwerp).

John Welshman was educated at the universities of York and Oxford, and is currently senior lecturer in the history department at Lancaster University. He has published widely on the history of public policy in twentieth-century Britain. Recent articles have been published in journals including *Children & Society*; *Contemporary British History*; *Economic History Review* (2006); *Social History of Medicine*; and *Twentieth Century British History*. His books include *Underclass: A History of the Excluded, 1880–2000* (London and New York, Continuum, 2006), and *From Transmitted Deprivation to Social Exclusion: Policy, Poverty, and Parenting* (Bristol, Policy Press, 2007). His most recent book, written for a more popular readership, is *Churchill's Children: The Evacuee Experience in Wartime Britain* (Oxford, Oxford University Press, 2010).

CHAPTER I

* * * * *

Introduction

Barry Knight

* * * * *

DESPITE EFFORTS OVER many years, poverty remains a stain on our society. We asked some of Britain's best-known commentators to say what should be done to address it. *A Minority View: What Beatrice Webb would say now* presents their answers.

The essays were produced during 2009 and therefore reflect the world before the Conservative/Liberal Democrat coalition government began its programme of radical reform. This means that some of the assumptions behind the essays no longer hold, but the essays nevertheless give valuable insights into what we need to do.

The first in a series

This book is the first of a series to be developed by the Webb Memorial Trust. The series will develop a narrative of what a society without poverty would look like and how to achieve it. Such an approach involves a combination of radical and practical thinking on work, income, taxation, social security, wealth, values, and much else. We want the series to become a blueprint for change.

The Webb Memorial Trust

The Webb Memorial Trust has pursued the intellectual legacy of Beatrice Webb (1858–1943), who, together with her husband Sydney (1859–1947), embarked on a vigorous programme of social reform. The Trust was formed in 1947 with the purpose of the ‘advancement of education and learning with respect to the history and problems of government and social policy’. Founding trustees included R H Tawney and Harold Laski.

Why another book?

Millions of words have been used in thousands of books about poverty over the past 100 years. And still the problem persists. So what is the justification for yet another book?

The answer is so that we can learn from the past 100 years and plan for the next 100 years. The evidence suggests that we have failed to do this and are in an endless cycle of repetition.¹ It may be that we found the answer to the problem of poverty 100 years ago but have forgotten that we did. To make progress, we need to examine the answer that was given then, evaluate our experience since then, and develop practical solutions arising from what we have learnt.

Why 100 years? This was when Beatrice Webb’s contribution to the Royal Commission on the Poor Laws and Relief of Distress 1905–09, presented in the form of the Minority Report, departed from the conventional view of poverty. Rather than being a voluntary condition caused by a failure of character, she proposed that poverty was embedded in structures and systems in society over which individuals had little control.

Poverty can be solved

The limitations of the existing system had become all too evident. During her time with the Charity Organization Society, Beatrice Webb had come to realize that Christian charity could not tackle the roots of poverty. To do this, it was necessary to raise low

¹ Barry Knight and Caroline Hartnell (2008) ‘They go round and round’ *Alliance* magazine, September 2008.

standards in education, housing and public health. Poverty was not a question of individual pathology but of social justice.²

The idea of tackling the causes of poverty challenged the biblical view that ‘the poor are always with us’.³ On Webb’s analysis, there was nothing inevitable about poverty because poverty was not a category that defined a person but a condition into which anyone could fall. Poverty was contingent on adverse circumstances, and if you removed those circumstances, the problem would disappear. The practical implications of this were that, rather than managing the problem of poverty through outdoor relief and the workhouse, the job of social policy was to remove the causes of poverty.

Beatrice Webb was not alone in these views. Indeed, the finest hearts and minds of the time were questioning the ancient view of the ‘deserving’ and ‘undeserving’ poor.⁴ The most famous of these was Joseph Rowntree, who founded three charitable trusts in 1904. Nothing if not ambitious, Rowntree believed that removing root causes would abolish poverty within 35 years, allowing his trusts to go out of business by 1939.

Such optimism also pervades the 1909 Minority Report, which sets out five main principles that underlie the understanding and removal of poverty:

- Poverty has structural causes.
- Prevention is better than cure.
- Dependency should be avoided.
- Services should be integrated.
- The state, not philanthropy, is responsible.

However, the government ignored the Minority Report. Despite tireless campaigning by Beatrice and Sydney Webb, the proposals were not taken up and eventually the Webbs gave up.

Success comes later

More than 30 years after the publication of the Minority Report, William Beveridge, who had worked with the Webbs as a research assistant on the Minority Report, used it as the blueprint for the postwar welfare state. Despite near-bankruptcy following the Second World War, the government implemented Beveridge’s proposals. For the next

² Jane Lewis (1995) ‘Social facts, social theory and social change: the ideas of Booth in relation to those of Beatrice Webb, Octavia Hill, and Helen Bosanquet’ in David Englander and Rosemary O’Day (eds) *Retrieved Riches: Social investigation in Britain 1840–1914* pp 49–66, Aldershot: Scolar Press; Jane Lewis (1991) ‘The place of social investigation, social theory and social work in the approach to late Victorian and Edwardian social problems: the case of Beatrice Webb and Helen Bosanquet’ in Martin Bulmer, Kevin Bales and Kathryn Kish Sklar (eds) *The Social Survey in Historical Perspective 1880–1940* pp 148–69, Cambridge: Cambridge University Press.

³ Matthew 26:11.

⁴ See R Johnson (1998) *The First Charity*. Santa Ana, California: Seven Locks Press. Johnson traces the roots of the idea of the deserving and undeserving poor.

30 years, the state took prime responsibility for poverty by committing itself to full employment as a goal of economic policy and to a secure population as a goal of social policy. Free education, healthcare and other social services gave opportunities for all regardless of whether they had the money to pay or not. To avoid the stigma of 'charity', the system was to be paid for by national insurance, a contributory scheme deducted from people's pay packets.

In the 'never had it so good days' of the 1950s, it seemed that the combination of full employment and state welfare would banish poverty forever. The pain and bitterness of the 1930s depression would fade like a bad dream. Indeed, Seebohm Rowntree's last study of York in 1951 suggested that poverty had all but disappeared.⁵ Anthony Crosland's *The Future of Socialism*, published in 1956, suggested that the dark side of capitalism had been tamed, so that top-down planning by the state could be relaxed.⁶

The assault on 'welfare'

But by the 1960s, cracks had appeared. In 1965 Brian Abel-Smith and Peter Townsend 'rediscovered' poverty. Rowntree's 1951 study, which suggested that poverty had disappeared, had mistakes in its sampling frame and studied untypical conditions. It seemed that the welfare state had not eradicated poverty after all.⁷ Kincaid conducted a comprehensive review of the social security system and concluded that the system 'does nothing effective to iron out inequality, and that the services are far less egalitarian and more punitive than is generally supposed'.⁸

The public sector came under attack from both the left and the right. From the left, there was an increasing sense that the statutory services were failing to deliver according to their early expectations. There was frustration about the size, inflexibility, inaccessibility, impersonality and lack of true accountability of the social security apparatus. People disliked being clients of an unsympathetic system. Self-help organizations such as Gingerbread, formed by single-parent families, and East London Claimants Union agitated for a better deal from the state.

From the right, there was a cruder and more visceral reaction. People became increasingly unwilling to pay taxes to support social security for those they regarded as 'scroungers'.⁹ This 'tax-welfare' backlash was fuelled by articles in the popular

⁵ S Rowntree and G R Lavers (1951) *Poverty and the Welfare State*. London: Longman.

⁶ Anthony Crosland (1956, 2nd edition 2006) *The Future of Socialism*. London: Constable & Robinson.

⁷ B Abel-Smith and P Townsend (1965) *The Poor and the Poorest: A new analysis of the Ministry of Labour's Family Expenditure Surveys of 1953-4 and 1960*, Occasional Papers on Social Administration no 17. London: Bell.

⁸ J C Kincaid (1973) *Poverty and Equality in Britain: A study of social security and taxation*. Harmondsworth: Penguin.

⁹ Peter Taylor-Gooby (1985) *Public Opinion, Ideology, and State Welfare*. London: Routledge & Kegan Paul.

press, some parts of which developed an obsession with ‘cheats’.¹⁰ In the United States, conservative think-tanks, funded by 12 private foundations, embarked on a long-term and concerted campaign to change policy across the world in favour of tax cuts, privatization of government services, and deregulation of industry and the environment, as well as deep cuts in government spending. The leading think-tanks included the National Bureau of Economic Research, the Hoover Institution on War, Revolution and Peace, the American Enterprise Institute, and the Center for the Study of American Business. They were well organized, using everything from sound bites to scholarly journals.¹¹ A key text was Charles Murray’s *Losing Ground*.¹²

Both in Britain and in the US, the right gained the upper hand. Following her election victory in 1979, Margaret Thatcher was determined to reverse Britain’s economic decline. She believed that the welfare state, with its cradle-to-grave security, had turned once-industrious Britain into a ‘dependency culture’. She wanted to replace this with an ‘enterprise culture’ to raise the status of business, growth, moneymaking and profit. It was the individual that mattered, not society.

A key turning point was the 1981 recession. The government abandoned its commitment to full employment as a goal of economic policy. Once this had happened, it was a short step to break the link between work and benefits, effectively ending the national insurance principle. People who were out of work were encouraged to go on incapacity benefit, rather than unemployment benefit, partly to give the appearance of lower unemployment. In the case of people who could not work by virtue of old age, a big shift occurred in 1981, when state pension increases were tied to prices rather than wages – though it was invariably the latter that rose faster. Means-testing became the dominant principle and was enshrined in the 1986 Social Security Act.

These changes not only increased poverty among those receiving benefits but also made it harder for them to escape from poverty once they were in it. Professor Bob Grove, from the Sainsbury Centre for Mental Health, has pointed out that signing people off on long-term health-related benefits is usually a one-way trip. Even if people are not disabled when they are signed off, many become so because of poverty, isolation and depression. It is ironic that a government that professed concern about a ‘dependency culture’ actually created the highest rates of dependency in Europe.¹³

At the same time that government was reducing benefits, there were the stirrings of the ‘me society’ as the accumulation of personal wealth became a state-endorsed value. The new mood was exemplified in 1986, when Big Bang – the deregulation

¹⁰ P Golding and S Middleton (1978) ‘Why is the Press so obsessed with welfare scroungers?’ *New Society* 26 October 1978; P Golding and S Middleton (1982) *Images of Welfare*, Basingstoke: Macmillan.

¹¹ Sally Covington (1998) ‘How Conservative philanthropies and think tanks transform US policy’ *Covert Action Quarterly*, winter 1998. Available at www.thirdworldtraveler.com/Democracy/ConservThinkTanks.html.

¹² Charles Murray (1984) *Losing Ground: American social policy 1950–1980*. New York: Basic Books.

¹³ www.disabilitynow.org.uk/living/features/welfare-reform-are-you-scared-yet.

of the finance industry – freed the City of London to pursue great wealth for the few. According to the theory of the day, this wealth would ‘trickle down’ to the poor. Needless to say, trickle-down did not work, and the proportion of people living in poverty increased throughout the 1980s and early 1990s. Child poverty doubled between 1979 and 1997.¹⁴

A new beginning

The incoming Labour government of 1997 took poverty more seriously than any government since the 1960s, even though the word ‘poverty’ hardly figured in its election manifesto.¹⁵ A decisive announcement was made in 1999 when Prime minister Tony Blair made an historic claim: ‘Ours is the first generation to end child poverty forever, and it will take a generation. It is a 20-year mission, but I believe it can be done.’¹⁶

A key instrument in the pursuit of this aim was the Social Exclusion Unit, which was part of the Cabinet Office. Programmes included the National Strategy for Neighbourhood Renewal, a 20-year plan to ensure that no one was disadvantaged by virtue of where they lived. Sure Start was designed to enable children, particularly those from disadvantaged areas, to have the best start in life. There were ‘New Deal’ programmes to enable those disadvantaged in the labour market to get into work. A national minimum wage was introduced to address in-work poverty and working tax credits were meant to ensure that people in low-paid work would have higher post-tax incomes than if they were on benefits.

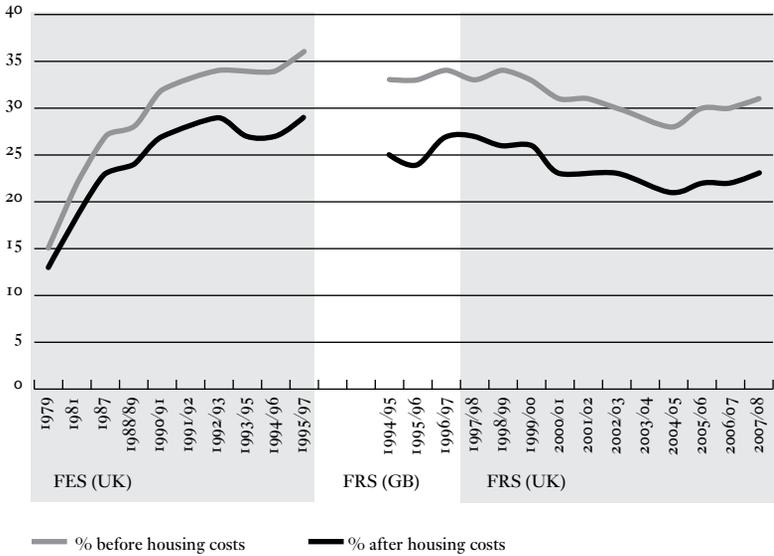
These programmes were partly successful in reversing the growth in poverty that had taken place from 1979 to 1997, when the Conservatives were in power. The following chart shows the percentage of children living in households whose income was less than 60 per cent of the median in the years from 1979 to 2007/8.

¹⁴ See the Households Below Average Income series at <http://statistics.dwp.gov.uk/asd/index.php?page=hbai>.

¹⁵ John Hills (2004) ‘The last quarter century: from new right to new labour’ in Howard Glennerster, John Hills, David Piachaud and Jo Webb *One Hundred Years of Poverty and Policy*. York: Joseph Rowntree Foundation.

¹⁶ Tony Blair (1999) ‘Beveridge revisited: a welfare state for the 21st century’ in R Walker (ed) *Ending Child Poverty: Popular welfare for the 21st century*. Bristol: The Policy Press.

Figure 1 *Percentage of children living in households below 60 per cent of the median income.*



NOTE The data is taken from the Households Below Average Income series 2008/9, table 4.1. The figures in the years between 1979 and 1995/7 are from the Family Expenditure Survey and from 1994/5 to 2007/8 from the Family Resources Survey.

Figure 1 shows that there were steep rises in child poverty under the Conservatives but that these were reduced in the early years of the Labour government. However, from 2005 onwards, the proportion of children in poverty began to creep up again.

Completing the circle

In 2007/8 13.5 million people in the UK – 22 per cent of the population – were living in households with incomes at or below 60 per cent of the median.¹⁷ Some 4 million of these were children. The figure of 13.5 million is an increase of 1.5 million over 2004/5, just three years earlier. The increases since 2004/5 follow six uninterrupted years of decreases from 1998/9 to 2004/5.

Poverty is not distributed evenly. Figure 2 shows the proportion of different groups in the population who fall below 60 per cent of median income after housing costs.¹⁸

¹⁷ See the Poverty Site at www.poverty.org.uk and <http://statistics.dwp.gov.uk/asd/index.php?page=hbai>.

¹⁸ Taken from the Household Below Average Income series 2010.

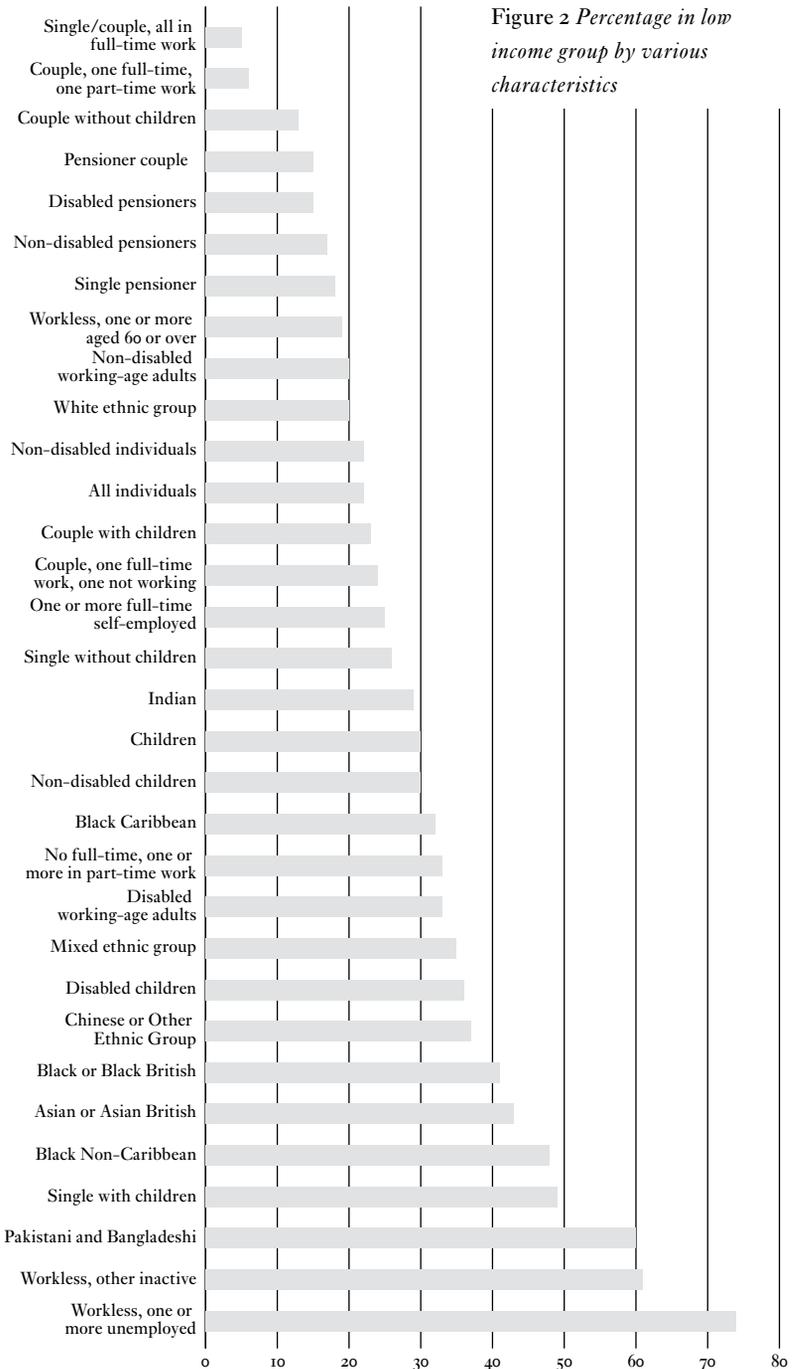
It appears from the table that three main types of groups are at risk from poverty. The first is ethnic minorities; the second people who are not working (including single parents, many of whom are women); and the third disabled people.

So now, 100 years after publication of the Minority Report, poverty has still not been solved. We have not fully eradicated Beveridge's five giants – squalor, ignorance, want, idleness and disease. Far from going out of business, Rowntree's trusts are still campaigning against 'social evils'. The character of the giants may have changed and they may not be as tall, but they are still standing.

Even so, Britain has done better than some other countries. Jane Waldfogel evaluated the Labour government's anti-poverty strategy using three main dimensions: promoting work and making work pay; increasing financial support for families with children; and investing in the health, early-life development and education of children.¹⁹ Although outcomes fell short of intended goal, the strategy nevertheless significantly increased single-parent employment, raised incomes for low-income families, and improved child outcomes. Pensioner poverty fell by one-third from 1998/9 to 2007/8.²⁰ Poverty fell in the UK while it stagnated elsewhere in the world.

¹⁹ Jane Waldfogel (2010) *Britain's War on Poverty*. New York: Russell Sage Foundation.

²⁰ www.statistics.gov.uk/pensiontrends.



What we can learn from experience

Notwithstanding these qualifications, current figures on the prevalence of poverty show how much there is still to do. Reviewing the Households Below Average Income (HBAI) figures for 2008/9 (released in March 2010), Julia Unwin, director of the Joseph Rowntree Foundation, commented that the figures showed a small fall in poverty among children and pensioners. She noted that, although early, significant progress under the Labour government in reducing child poverty had not been sustained, improvement had been more consistent for pensioners.²¹

The government finally admitted in 2009 that its promise to halve child poverty by 2010 and to end it by 2020 was empty. The government minister making the announcement attributed the failure to the downturn in the economy, rather than to any shortcomings in its own policies.²² However, over a 100-year perspective and following Beatrice Webb's approach, our analysis should run deeper than this; it needs to examine structural factors about how we allocate resources in society, rather than pinpointing a single historical event that drives a cyclical downturn.

There are perhaps two ways to consider system failure. The first, often stressed by the left, is to suggest that there has been too little priority given to poverty reduction in public policy and practice. The second, often stressed by the right, is to maintain that the methods used to combat poverty have not been effective enough.

The first set of factors concerns the lack of widespread support for policies and practices to abolish poverty. When Gordon Brown was chancellor of the exchequer, he asked civil society organizations to mobilize opinion in favour of poverty reduction because he would otherwise find it difficult to commit further public resources to the cause.²³ The distinction between the 'deserving' and 'undeserving' poor is still prevalent in public attitudes.²⁴ The lack of democratic support for poverty reduction has allowed the rich to use politics to further their own interests and to ignore those of wider society.²⁵ A notable feature of the past generation has been the rise of the super-rich, which has fuelled desires for extravagant lifestyles and consumer excess.²⁶

The welfare state is commonly seen as wasteful. Take, for example, a comment from *The Economist*:

²¹ Julia Unwin (2010) 'New poverty figures highlight how much there is still to do'. Available at www.jrf.org.uk/blog/2010/05/new-poverty-figures.

²² www.guardian.co.uk/society/2009/sep/11/both-parents-work-child-poverty.

²³ G Brown (2004) 'Our children are our future', speech at the Joseph Rowntree Foundation, 8 July 2004.

²⁴ Louise Banfield and Tim Horton (2009) *Understanding Attitudes to Tackling Income Inequality*. York: Joseph Rowntree Foundation.

²⁵ David Aaronovitch (2009) 'Spare a thought for the undeserving rich' *Times Online*, 18 August 2009.

²⁶ Robert Reich (2007) *Supercapitalism: The transformation of business, democracy, and everyday life*. New York: Knopf.

‘all of Europe needs reform: to shift away from high taxes, generous and wasteful welfare states, and, most of all, overly regulated and inflexible product and labour markets.’²⁷

The second set of factors concerns the effectiveness of the methods used to combat poverty. Evidence about this is hampered by the fact that the evaluation of social programmes has been limited. One programme that has been subjected to evaluation is Sure Start, which aims to improve the life chances of poor children. Early results from the evaluation suggested that those people who were least disadvantaged benefited most and that it failed to involve people from minority families. Subsequent results have been more positive.²⁸

In 2008 Maria Miller, Conservative shadow minister for the family, said:

‘Three billion pounds have been spent in the past nine years, and they are still not hitting seven out of 14 of their key indicators. You need to have a much more focused approach.’²⁹

One reply to this is that the evaluation of Sure Start was an interim evaluation; it was hedged about by the evaluation team with all sorts of qualifications that were ignored by the government. It may have suited the government to say that it had failed so that it could move on to more targeted interventions.³⁰

The Neighbourhood Renewal Programme, which was the highest-profile government programme in 2000/1, aimed to close the gap between the poorest 10 per cent of neighbourhoods and the rest. It was designed as a 20-year plan but was quietly run down in 2007. The programme looked good in theory, but when it came to delivery, there were serious problems. A common one was that local partnerships spent too much time in paper planning and too little in action on the ground. There was constant tinkering with the rules of the programme so that bureaucratic demands were high and nothing was given sufficient time to work. Some of these problems were evident in an earlier generation of area-based initiatives in the US anti-poverty programmes of the 1960s.³¹

²⁷ ‘The mystery of Mrs Merkel’ *The Economist* 27 June 2009 p 15.

²⁸ National Evaluation of Sure Start (NESS) (2008) *The Impact of Sure Start Local Programmes on Three-Year-Olds and Their Families*, Institute for the Study of Children, Families and Social Issues, Birkbeck, University of London, at www.dcsf.gov.uk/everychildmatters/research/publications/surestartpublications/1974.

²⁹ www.independent.co.uk/news/education/schools/how-the-governments-plans-to-end-child-poverty-were-botched-822521.html.

³⁰ See Jay Belsky et al (2006) ‘Effects of Sure Start local programmes on children and families: early findings from a quasi-experimental, cross-sectional study’ *British Medical Journal* 332 (2006) 1476–8.

³¹ Peter Marris and Martin Rein (1972) *Dilemmas of Social Reform*. Harmondsworth: Penguin.

Clearly, if we are going to make progress on eliminating poverty, we need to think seriously about priorities and also to upgrade our performance in using the resources we have to deal with the problems.

New ideas

So what is to be done about this? To help find solutions, the trustees of the Webb Memorial Trust asked themselves ‘What would Beatrice say now?’ The Fabian Society was funded to come up with some answers. Their report was published as *The Solidarity Society* in 2009.³² The report suggested a top-down state welfare system based on reciprocal exchange between benefits and contributions. Benefits would be universal, so that everyone would have a stake in the system, and contributions would be wider than Beveridge’s national insurance scheme, to include voluntary work and caring responsibilities. There would be a lifetime welfare contract, setting out both the benefits and services that a citizen could expect to receive at each stage of life and the types of participation that would be expected in return. The idea was that we should replace the ‘us and them’ of poverty with the notion that ‘we are all in this together’. The key idea was ‘solidarity’.

To supplement these ideas, we asked a number of key thinkers to come up with their own answer to this question, concentrating on one thing that would combat poverty in the UK. This book gives their answers. Their contributions are as follows.

In chapter 2, John Veit-Wilson investigates the role of minimum income standards in abolishing poverty. Following this, in chapter 3, John Welshman examines the role that work plays in the recent history of child poverty. In chapter 4, Howard Glennerster considers the role of assets. In chapter 5, Peter Kenway considers the issue of tax and low pay. In chapter 6, Jonathan Bradshaw defends child benefits. In chapter 7, Steve Osborn looks at area-based initiatives. In chapter 8, Ranjana Bell proposes affirmative action on race. Chapter 9 is different from other contributions in that we asked Sue Robson and Marian McGuinness to conduct a thorough review of gender and poverty and to ask what Beatrice Webb might say about gender now. In the final chapter of the book we use these contributions to reflect on what is to be done if we are serious about ending poverty.

* * * *

³² Tim Horton and James Gregory (2009) *The Solidarity Society: Fighting poverty in an age of affluence*. London: Fabian Society.

CHAPTER 2

* * * * *

No inclusive society without minimum income standards

John Veit-Wilson

* * * * *

IF THE UK government is serious about abolishing poverty and creating an inclusive society, the essential first step is to answer the question ‘how much is enough?’ It must discover the income level at which poverty is no longer experienced and ensure that nobody’s income falls below that level. Poverty will be eradicated once people have sufficient means to participate fully in the larger society – enough to choose what the majority of the population considers to be minimally decent and inclusive lifestyles.

A century ago, when Sydney and Beatrice Webb published their Minority Report to the Royal Commission into the Operation of the Poor Laws, the dominant concern about poverty was how to tackle what were perceived as its causes, including the inadequacy of wages. Seebohm Rowntree's recently published *Poverty: A study of town life* (1901) had revealed that low pay was insufficient even for physical subsistence, let alone avoidance of poverty. The Webbs referred to income adequacy obliquely in their report: 'The first requisite is that all persons in distress from Unemployment should be provided with maintenance, so that they and their families may be kept *in health and strength* . . .';¹ and they recommended that 'all mothers having the charge of young children, and in receipt, by themselves or their husbands, of any form of Public Assistance, should receive enough for the *full maintenance* of the family . . .'.²

Ideas about what poverty is have changed much in the subsequent century, from the physical to the social and from the class stratification of standards taken for granted until the mid-20th century to the claims of equal rights and social inclusion of the 21st. But the underlying problem remains now as then: *how much is enough?* This chapter argues that answering this question is a prerequisite for all attempts to abolish poverty in the UK and shows how it can be done. If you cannot identify the target, how can you aim at it?

Defining poverty

Poverty is generally discussed as a large and complex phenomenon, and there are many opinions about what it is and how it can be identified.³ Common to them all – and distinguishing poverty from broader ideas of social inequalities and exclusions with which it overlaps but is not identical – is the core idea that it refers to a lack of power over disposable resources which are needed to enable individuals, families and communities to take part and be included in the larger society in which they live, to the standards that are considered minimally adequate by that society.⁴ In modern consumer societies like that of the UK there is no doubt that the most important resource in question is an adequate flow of disposable cash income. Income flows can come from all the usual sources such as wages and salaries, pensions and benefits, but also from stocks of wealth such as interest on savings and dividends from investments. They can also come from intangible resources such as the value of education in the labour market. What matters

¹ S Webb and B Webb (eds) (1909) *The Public Organisation of the Labour Market: Being Part Two of the Minority Report of the Poor Law Commission* p 299 (emphasis added). London: Longmans Green and Co.

² *Ibid* p 327 (emphasis added).

³ For a review of many concepts and measures of poverty, see J Veit-Wilson (2005) 'Poverty' in A Harrington et al (eds) *Encyclopaedia of Social Theory*, London: Routledge; and J Veit-Wilson (2006) 'Poverty' in T Fitzpatrick et al (eds) *International Encyclopaedia of Social Policy*, London: Routledge. All Veit-Wilson books and articles cited here can be read online at www.staff.ncl.ac.uk/j.veit-wilson.

⁴ For a discussion of standards and adequacy, see J Veit-Wilson (1998) *Setting Adequacy Standards: How governments define minimum incomes* pp 21–3. Bristol: The Policy Press.

here is the income flows that people can make use of, so they also include tax allowances and credits. Government has power over many aspects of people's disposable incomes, both rich and poor.

Poverty in the UK today does not just mean living on means-tested benefits. It is also experienced on low wages, even at minimum wage rates, and is worsened when government burdens very low incomes with low tax thresholds and taxes on goods and services. No amount of argument that poverty has other meanings alters the fact that in common usage it comes down to people not having a large enough flow of disposable income to allow freedom of choice: freedom to buy what is needed to be included in society and to live according to the lifestyles which the majority of the population considers to be minimally decent and respectable. 'Freedom of choice is part of essential freedom,' as William Beveridge wrote about his recommendations for social insurance benefits in 1942,⁵ and he meant that even the poorest people should have a sufficient income flow to be able to exercise it. So a core feature of income adequacy is that it allows people the same freedom to make their own choices – limited, perhaps, but nevertheless personal choices – about minimally decent and inclusive levels of living as anyone not considered to be poor can make; such adequacy is not a matter of having what some politician or official has decided is the maximum benefit that government wants to pay. This fact is even more obvious when we consider that people are not described as being in poverty when they do in fact have enough money to choose not to live deprived lifestyles, even if they appear deprived. What ordinary people mean by poverty is not having enough money to buy their way out of the material, social and psychological consequences of deprivations and into social inclusion.

How much is enough?

So how much income is enough? When we think about individual incomes, we assume a context such as that in UK society at present. But clearly there are also many collective resources which help people escape poverty but which we do not expect them to have to buy from their disposable household incomes. For example, in some countries health services and childcare have to be paid for, while in others they are free; taking such variables into account, it is clear that it is the interaction between individual and collective resources that pushes people into poverty or enables them to escape from it. Similarly, low pay in the labour market can trap people in poverty, just as higher pay lifts them out of it, so it is the interaction between labour market demand (which means the employers' perceptions of profitability) and working and household conditions that determines whether people can earn enough to escape poverty or not; it is not a matter of a person's skills alone. Such examples can be multiplied, but what is common to them

⁵ WH Beveridge (1942) *Letter from William Beveridge to Seebohm Rowntree, 18 August 1942*, in Seebohm Rowntree papers (box B6), Joseph Rowntree Foundation Library, York.

all is this: under any given set of such interactions, there are income levels that are too low to enable people to live a minimally inclusive life in society, and there are levels that are just sufficient without being generous.

Governments have economic as well as political interests in discovering income adequacy levels. Many social evils that cost taxpayers vast sums, such as the consequences of ill-health and crime, are correlated with the income inequalities of which poverty is an extreme form. There is evidence from across the globe that less material inequality in a country, with fewer people being excluded by poverty, correlates with lower rates of many of these social evils.⁶ In the longer term, governments concerned about social evils must take steps to discover at what levels of household income these evils diminish before they can target policies appropriately.

Politicians promote headline initiatives to abolish child poverty but, for electoral as well as ideological reasons, they avoid threatening the dominant structures of social inequality. In that context, a deliberate fuzziness about which of the many manifestations of poverty is to be attacked is politically expedient and functional. The language of abolition sounds purposive, but the real issue is not just the public image of action but the degree to which that action actually contributes to abolition. If governments genuinely want to move towards abolishing poverty, they must be precise about their target idea of poverty and be able to measure the extent to which the policy impact is effective. If their target idea of poverty is the reality of lives excluded by inadequate incomes, then raising household incomes to 60 per cent of the median or above will not solve the problem if, as the research suggests,⁷ there is evidence that this is still not enough to overcome the experienced problems of poverty.

Who knows best what poverty is?

Who knows best what poverty is – politicians, officials, academics, or the people who fear it or who experience and suffer it? In the UK, government uses several measures to assess poverty and inequality and to set welfare benefit levels, but its statistical surrogates for poverty do not reflect it appropriately because they do not relate to real levels of living which ordinary people judge to be adequate or not. Not only does government fail to discover what the population itself sees as poverty – or rather, what it identifies as a minimally adequate level of living – but it does not identify the income levels at which people do not, on average, suffer from the consequences of poverty. Yet the

⁶ See, for instance, M Marmot (2005) *Status Syndrome: How your social standing directly affects your health*, London: Bloomsbury; M Marmot (chair) (2010), *Fair Society, Healthy Lives: A Strategic Review of Health Inequalities in England Post-2010*. London: The Marmot Review; R Wilkinson and J Pickett (2009) *The Spirit Level: Why more equal societies almost always do better*, London: Allen Lane.

⁷ J Bradshaw, S Middleton, A Davis et al (2008) *A Minimum Income Standard for Britain: What people think*, York: Joseph Rowntree Foundation; D Hirsch, A Davis, N Smith (2010) *A Minimum Income Standard for Britain in 2010*, York: Joseph Rowntree Foundation.

key question which must first be answered is about the level of living at which social inclusion is possible and the effects of poverty are avoided. Only when that is answered can we start to consider what individual incomes and collective resources are needed to support such a level of living and at what income levels people actually achieve it in practice and not just in theory.

People living in poverty as society identifies it can speak of their experience, but there are also larger aspects of poverty which are not picked up by individual accounts. These larger features are revealed by population statistics and the correlations between personal income inequalities on the one hand, and indicators of deprivations, ill-health and other aspects of what wider society identifies as social evils on the other. Examples include (but are not limited to) greater ill-health and premature mortality; nutrition which fails to reach the levels laid down by experts as the minimum in terms of recommended daily allowances for essential dietary components; inability to reach educational levels commensurate with individual potential; and alienated and antisocial behaviours and their consequences in harm and crime.

The belief that there is a clear-cut line between poverty incomes with deprivations and higher incomes without them is a widespread misunderstanding. The reality is that there may be no one-to-one relationship between low income and deprivation of specific necessities. Rather, over the population as a whole, there are clear correlations between lower incomes and higher incidences of these deprivation indicators and social evils – correlations so strong that the causality cannot be explained away.⁸ For various reasons government may wish to abolish these social evils. It may believe that everybody has a right to be protected against them, as many of the international declarations and conventions on recognized human rights assert. Or it may simply want to save public expenditure on the expensive consequences that flow from such evils. Either way, if government is to act effectively, it must find out at what income levels, on average, the incidence and distribution of indicators of social and personal deprivation are no longer significantly correlated with income.

Thus there are three sets of people who know best what poverty is: the population as a whole, which knows what a minimally adequate level of living for social inclusion is; people in poverty, who know what is not adequate for participation; and statisticians of social and natural sciences, who know what the correlations are between low income and aspects of deprivation and exclusion. Social research methods can capture and collect these different kinds of information, but politicians do not have a privileged position to make expert judgements about any of them, even if they have personal experience of one kind or another. They should therefore consult specialists in the field and act in accordance with their advice.

⁸ See, for instance, J Mack and S Lansley (1985) *Poor Britain*. London: Allen and Unwin. This aspect of social statistics has been known since the publication of Emile Durkheim's 1897 study of suicide.

Governments have repeatedly dismissed the evidence that would allow them to identify the income levels at which people are able to participate in society, on the grounds that ‘the experts don’t agree’. Studies of benefit adequacy carried out by their own officials in the 1960s were soon ignored and eventually suppressed because they contradicted the government view that such studies were unfeasible.⁹ Instead, as the record shows, governments since the 1930s have either set benefit rates for the population of working age beneath the levels of low wages which employers claimed were the maximum they could profitably pay; or they have set them on public expenditure grounds (‘that is all we can afford’). They then claim that such rates provide ‘what you need’ to live decently. Government ministers who have repeatedly quoted this mendacious mantra since the welfare reforms of the 1980s have confused what certainly is necessary with what is also demonstrably insufficient.

How can the poverty people experience best be measured?

Two kinds of income poverty need to be identified and measured: (1) the calculable costs of achieving the minimum standard of living; and (2) the levels of income at which it is achieved in practice.

*1 What is the ‘acceptable minimum standard of living in Britain today’, one which ‘is more than just food, clothes and shelter’ but ‘is about having what you need in order to have the opportunities and choices necessary to participate in society’?*¹⁰

This question can best be researched under scientifically controlled conditions by representative samples of the population arriving at agreement through group discussion, combined with the advice of experts in subjects such as nutritional and domestic sciences and housing and environmental standards. This research method is a sophisticated version of what is known as the budget studies approach to poverty lines or minimum income standards.¹¹ It is based, however, on what representatives of the population working with experts think, and not on politically expedient prescriptions for asocial austerity. It is the method successfully used in several places in the UK in 2008 and again in 2009.¹²

The question that follows is what income levels are needed (allowing for differences in the size, composition and location of households) to achieve the minimum

⁹ J Veit-Wilson (1999) ‘The National Assistance Board and the “Rediscovery” of Poverty’ in H Fawcett and R Lowe (eds) *Welfare Policy in Britain: The road from 1945* pp 116–57. London: Macmillan.

¹⁰ J Bradshaw et al (2008) p 14.

¹¹ For the difference between poverty lines and minimum income standards, see Veit-Wilson (1998) *Setting Adequacy Standards: How governments define minimum incomes* pp 23–6. Bristol: The Policy Press.

¹² J Bradshaw et al (2008); D Hirsch et al (2010). See www.minimumincomestandard.org.

standard. The goods, services and activities in the notional 'shopping basket' were priced in standard local supermarkets and similar places.¹³

It should be noted that, to avoid prejudicing the results, the term 'poverty' was not used in this research project. Instead, the discussions focused on minimum standards adequate for everyone. But when the final minimum incomes had been calculated, respondents were asked if they would remove any items from the list of what is essential for everyone 'if told the Government was unable to raise incomes to the level of the standards. Without exception, participants argued strongly that people would not be able to have the minimum acceptable standard of living if the budgets were cut'.¹⁴ Anything less would mean poverty.

2 At what levels of income, on average, do individuals and households manage in practice to avoid both the social and the material deprivations which the minimum acceptable level of living identifies?

This is the research question first investigated by the national survey of poverty in the UK carried out by Peter Townsend and his colleagues in the 1960s.¹⁵ The methods have since been refined and used in many further surveys in the UK and elsewhere.¹⁶ Scientifically reliable social surveys discover what the population itself defines as social necessities (things that nobody should be deprived of by lack of income if they want them), while experts identify minimum physical needs such as nutrition and then discover statistically the household income levels at which the deprivations are avoided in practice and the material needs met.¹⁷

In addition to these two kinds of measurement, the income poverty associated with certain kinds of inequalities should also be identified and measured. Large-scale statistical surveys by clinicians – experts in epidemiology and in the distributions of other social phenomena – may reveal the differences between the individual variations in mortality and morbidity rates normally expected in a population and greater collective variations which can be ascribed to income factors which governments should address.¹⁸

¹³ For details, see the research reports on the Joseph Rowntree Foundation's Minimum Income Standards web page, www.minimumincomestandard.org.

¹⁴ J Bradshaw et al (2008) p 11.

¹⁵ P Townsend (1979) *Poverty in the United Kingdom*. Harmondsworth: Penguin.

¹⁶ For studies in the UK, see for instance J Mack and S Lansley (1985) *Poor Britain*, London: Allen and Unwin; C Pantazis, D Gordon and R Levitas (eds) (2006) *Poverty and Social Exclusion in Britain: The millennium survey*, Bristol: The Policy Press.

¹⁷ This has been done by government for nutrition but still not published half a century after Townsend called for it. See P Townsend (1954) 'Measuring poverty' *British Journal of Sociology* 5(2) 130–7.

¹⁸ This is not the same issue as the evidence that the fact of inequality itself causes some social evils.

What should government do?

Government should enable and support the research needed for each of these approaches to be carried out on a robust, reliable and regular basis, so that both policy-makers and the population are kept fully informed of the findings and the income targets to be achieved. The research methods for the two approaches are not new – they have been widely tested and used and have generated valuable published findings – but they have been carried out in separate projects and do not reveal identical findings about income boundaries between deprivation and adequacy. Indeed, we would not expect total agreement in separate scientific research findings over such a broad field and expanse of time, but it has allowed reluctant governments to dismiss the findings on the grounds that neither the methods nor the experts agree. Yet for all the politicians' casual dismissal of such research as merely subjective opinion, it is no less scientifically objective, replicable, testable and refutable (in Karl Popper's test of the scientific method) than the array of subjective public opinion polls, often disagreeing with each other, which governments eagerly treat as reliable fact to influence their decisions.

The opportunity for government to act constructively is now open. The Child Poverty Act 2010 provides for the establishment of a child poverty commission to advise government. This new body will have to be consulted in the preparation of any government strategy for the abolition of child poverty and its recommendations taken into account.¹⁹ It is vital that this new commission is empowered and given resources to review the evidence from social and natural science sources and to commission further research as necessary. It should then 'triangulate' these various findings, not in the simplistic sense used by some politicians but by analogy with surveying (from which the metaphor derives): it should take several fixed points from which the scale of unknown features can be judged. In the case of minimum income standards, this means using judgement informed by the facts – and not merely by political expediency – to arrive at recommendations for appropriate and adequate levels of living and their costs. Government should then use these recommendations to set the various tiers of the income maintenance system at such levels as will abolish income poverty. This will encompass minimum wage rates, pensions and tax thresholds for regular incomes over long periods, and the range of welfare benefits for shorter periods.²⁰

Since the 1980s UK governments have often asserted that setting minimum income standards is impossible, but few agree with them. In 2001 the House of Commons Social Security Committee reviewed the question of income adequacy as part of its investigation into integrated child credit; it recommended that the government should fund such research and convene 'an ongoing working party involving policy makers, academics and other interested parties to assist it to devise publicly

¹⁹ Child Poverty Act (2010) sections 8 and 10.

²⁰ For a discussion of income maintenance system tiers, see J Veit-Wilson (1998) *Setting Adequacy Standards: How governments define minimum incomes* pp 34–8. Bristol: The Policy Press.

acceptable measures of the levels of living needed to avoid poverty'.²¹ Long before that, however, in 1965, the government department responsible for what was then known as national assistance carried out its own in-house study of means-tested benefit adequacy by triangulating different methods. Not only did it find that benefit levels were inadequate but it proposed changes and recommended regular reviews to keep benefits adequate. The report was never published and was subsequently suppressed by officials to avoid embarrassing ministers who denied the possibility of assessing adequacy, but it is still relevant today.²²

Why, indeed, should the UK government think that something is impossible if the governments of some other countries have managed similar systems for decades? They use a variety of methods,²³ but what is common to them all is that they are based on some credible idea of a minimum household level of living. Adequate for a shorter or longer period of time, this level is taken as the basis for setting some parts of their income maintenance systems, not just welfare benefits but also pensions and minimum wages. This is what is meant by governmental minimum income standards.

Indeed, it is mistaken to assume that minimum income standards for social inclusion can and should be used only for the lowest levels of means-tested benefits. It is an old 'social contract' principle that if people act responsibly towards society by working to maintain themselves and their families, society must for its part guarantee them minimum wages demonstrably sufficient for inclusion in society. Benefits for shorter-term needs might be set slightly lower than this, both because of the belief in differentials and because 'lumpy purchases' such as replacement of domestic goods may not need to be made in the shorter period (and can be grant-aided if they must). Research has shown that some countries have treated minimum wage rates as a reflection of their minimum income standards, and then set other benefits in relation to minimum wages.²⁴ But as long as governments insist that wages in work are the way out of poverty, they must ensure that minimum wage rates, together with child and other benefits, are based on the evidence of what it costs to escape poverty.

Conclusion

If government aims to abolish poverty – and the coalition government's acceptance of the Child Poverty Act suggests it does, at any rate for families – first it must discover the income levels at which poverty is not experienced; then it must ensure that nobody's

²¹ HCSSC (House of Commons Social Security Committee) (2001) *Integrated Child Credit: Second report* (vol HC72) §§ 24–5, pp xii–xiii, and see pp 109–26. London: The Stationery Office.

²² J Veit-Wilson (1999) 'The National Assistance Board and the "Rediscovery" of Poverty' in H Fawcett and R Lowe (eds) *Welfare Policy in Britain: The road from 1945* pp 116–57. London: Macmillan.

²³ For the 1990s, see J Veit-Wilson (1998) *Setting Adequacy Standards: How governments define minimum incomes*. Bristol: The Policy Press.

²⁴ *Ibid.*

income falls below those levels. As long ago as 1776 Adam Smith wrote that no one should be taxed on an income insufficient for necessities (the origins of the tax threshold²⁵); he then went on to describe necessities as ‘whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without’.²⁶ He was discussing possessions, but in today’s terms ‘the custom of the country’ includes among necessities access to services, activities and resources necessary for social inclusion. Setting minimum income standards in the manner described here is the only reliable way of discovering what ‘the custom of the country’ is today.

In keeping with the political rhetoric of both Conservative, Liberal and Labour parties, once satisfactory minimum income levels have been set, many other aspects of poverty and deprivation can be conquered by people themselves living their daily lives with incomes sufficient to take part in society. They can make free choices to meet their socially defined needs, without the need for government to intervene with inefficient means-tested benefits or services in kind which often fail to fill the gaps left by inadequate personal and household incomes. The first step in addressing the problem is identifying it: inadequate income is the central problem of poverty, and credible governmental minimum income standards are the first indispensable step towards the solution. Increasing people’s incomes helps to alleviate poverty, but poverty will not be abolished until everyone has an income at or above the minimum income standard.²⁷

* * * *

²⁵ J Veit-Wilson (1999) ‘The tax threshold: policy, principles and poverty’ in *Twentieth Century British History* 10 (2) pp 218–34.

²⁶ Adam Smith (1776) *An Enquiry into the Nature and Causes of the Wealth of Nations* book 5, chapter 2, part 2, article 4.

²⁷ The author is grateful to Adrian Sinfield for valuable advice on an earlier draft of this chapter.

CHAPTER 3

* * * * *

Supporting poor children in working families

John Welshman

* * * * *

THE SINGLE MOST important thing that the UK government could do in tackling poverty would be to play down the emphasis on work as the best means of escape from poverty and to acknowledge its damaging impact on working families. The dogma, shared by successive governments, that moving people into the workforce is the principal remedy to the problem has diverted attention from the plight of the working poor and, in particular, has prevented sufficient support being given to the children of working families living in poverty.

Since 1900 poverty reduction in the United Kingdom has been the responsibility of a range of government departments,¹ but few of the relevant politicians or civil servants have been exceptional figures or even recognizable names. Instead, the outstanding contributions have come from social investigators and researchers outside government, most notably Booth, Rowntree, Bowley, Beveridge and Townsend.² Arguably, reducing poverty has not been a key policy objective for successive governments in the UK, and government efforts to tackle child poverty, which have focused on getting people into work and have run alongside broader plans for welfare reform, have had mixed success. Given that half the children living in poverty are in working households, policies have not taken sufficient account of the complexity of the relationship between poverty, work and low pay. Politicians, it seems, are often blind to history, for Booth, Rowntree, Bowley and Townsend all drew attention to working poverty, and they would have been unsurprised by the main conclusion of this chapter – that government should downplay the discourse on work and welfare, and focus on supporting those children in poverty living in working families.

This chapter explores attempts to tackle child poverty in Britain since Tony Blair's Beveridge Lecture of March 1999. The approach is that of a social historian and policy analyst, and is concerned more with the general thrust and direction of policy than with the technical details or success and failure of particular measures.

Policy prescriptions

The Child Poverty Act, which received Royal Assent on 25 March 2010, aimed to enshrine in law the commitment to eradicate child poverty by 2020 and to help ensure that sustained action was taken by future governments.³ As such, it can be seen as the end of a long road. For it was in his Beveridge Lecture, of March 1999, that Tony Blair made the historic claim that 'ours is the first generation to end child poverty forever, and it will take a generation. It is a 20-year mission, but I believe it can be done.'⁴ The speech came out of the blue, and arguably more revealing was the 'modern' vision of welfare that Blair set out. Blair said that 'we need to break the cycle of disadvantage so that children born into poverty are not condemned to social exclusion and deprivation. That is

¹ Various, the Ministry of Pensions (1916), the Unemployment Assistance Board (1934), the Ministry of National Insurance (1948), the Supplementary Benefits Commission (1966), the Department of Health and Social Security (1968) and the Department for Work and Pensions (2001).

² Charles Booth (1840–1916), Seebohm Rowntree (1871–1954), Arthur Bowley (1869–1957), William Beveridge (1879–1963), Peter Townsend (1928–2009).

³ Child Poverty Unit HM Government (2009) *Ending Child Poverty: Making it happen*, London: Child Poverty Unit; Child Poverty Unit HM Government (2009) *Child Poverty Bill Consultation Report: Stakeholder submissions and the government's response*, London: Child Poverty Unit.

⁴ Tony Blair (1999) 'Beveridge Revisited: a welfare state for the 21st century' in Robert Walker (ed) *Ending Child Poverty: Popular welfare for the 21st century* p 7. Bristol: The Policy Press.

why it is so important that we invest in our children.⁵ It is the legacy of that speech, and the twin objectives of ending child poverty and modernizing the welfare state, that we have been living with ever since.⁶

The 2000 spending review included a public service agreement (PSA) target ‘to make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004’. The 2002 spending review consolidated these ambitions: ‘to reduce the number of children in low-income households by at least a quarter by 2004–05, as a contribution to the broader target of halving child poverty by 2010 and eradicating it by 2020.’⁷ In the foreword to the *Child Poverty Review*, announced in the 2003 budget and published in July 2004, Gordon Brown drew attention to an alleged ‘cycle of deprivation’ in which infants who grew up in poor families became trapped.⁸ The review acknowledged that more needed to be done and set out a new target: to halve the number of children in relative low-income households between 1998/9 and 2010/11 on the way to eradicating child poverty by 2020. It also proposed work-focused interviews and premiums to encourage lone parents and non-working partners in low-income families into work; enhancing the provision of good quality, accessible childcare; other measures to tackle material deprivation; and universal and targeted public service measures.

The report *Ending Child Poverty: Everybody's business*, published in March 2008, claimed that the risk of poverty for children in workless families was 58 per cent, while it was 14 per cent when one or both of their parents were working (average 22 per cent). Given that the risk of poverty was higher in workless families, the government continued to believe that work was the most sustainable route out of poverty. It set out a ‘contract’ where it would provide families with a route out of poverty, while in return looking to families to take advantage of the opportunities on offer, and for others, such as local authorities, to play a critical role.⁹

In the meantime, in July 2008, the Department for Work and Pensions (DWP) announced in its green paper its public consultation on plans to reform welfare. What was allegedly needed was a welfare system that enabled people to become ‘authors of their own lives’. The consultation said that ‘we will enshrine the responsibility to work at the heart of our approach in a simple deal: more support but greater responsibility’.¹⁰ There would be changes to jobseeker’s allowance (JSA) and tougher sanctions on those

⁵ Ibid p 16.

⁶ Kitty Stewart (2005) ‘Towards an equal start? Addressing childhood poverty and deprivation’ in John Hills and Kitty Stewart (eds) *A More Equal Society?* pp 143–65. Bristol: The Policy Press.

⁷ HM Treasury (2004) *Child Poverty Review* p 10, paras 1.6 and 1.7. London: HM Treasury.

⁸ Ibid p 3.

⁹ HM Treasury, DWP, DCFS (2008) *Ending Child Poverty: Everybody's business* pp 3–9. London: HM Treasury.

¹⁰ DWP (2008), *No one Written Off: Reforming welfare to reward responsibility* Public consultation (Cm 7363) p 12, para 7. London: DWP.

who failed to get back into work or failed to take a job. Incapacity benefit would be replaced by the employment and support allowance (ESA), and incapacity benefit claimants would be reassessed using the work capability assessment (WCA). Again, the green paper argued that supporting parents into employment was ‘the best and most sustainable route out of poverty’.¹¹ The white paper published in December 2008 argued that it had both deepened and widened the obligation to work.¹² Acknowledging that economic conditions had worsened, the white paper responded to the Gregg review, which had proposed a radical vision of personalized conditionality matched by personalized support. Gregg had distinguished between ‘Work-Ready’, ‘Progression to Work’ and ‘No Conditionality’ groups.¹³

Thus over the ten years between 1999 and 2009 there had been much activity on child poverty.¹⁴ Nevertheless, this activity was not unaffected by other pressures, including the green and white papers on welfare reform and a worsening economic climate. By the end of the Labour government, the emphasis on work was growing stronger, supplemented with the argument that both parents should work to end child poverty.¹⁵

Academic observers had argued as early as 1999 that in attempting to create a welfare system based largely on conditions of work, Labour’s reform agenda was set within a new moral order for welfare in which individuals were urged to take control of their own welfare and to be responsible for meeting their own needs whenever possible. This was symbolized in 2001 by the decision to merge the former Department of Social Security and the Department of Employment to form the DWP, a move that indicated expectations of work participation by those below pension age and the playing down of ‘security’.¹⁶ Michael Hill has suggested that a close reading of the 2008 green paper on welfare reform indicated that ‘the anti-poverty strategy rests primarily on increasing labour market participation’.¹⁷ The introduction of the ESA implied the assumption that all adults who sought benefits should be regarded as potential jobseekers. Given rapidly rising unemployment and evidence that benefits for people out of

¹¹ Ibid p 19, para 44.

¹² DWP (2008) *Raising Expectations and Increasing Support: Reforming welfare for the future* (Cm 7506). London: TSO.

¹³ Paul Gregg (2008) *Realising Potential: A vision for personalised conditionality and support*. London: DWP.

¹⁴ Kitty Stewart (2009) ‘“A Scar on the Soul of Britain”: Child poverty and disadvantage under New Labour’ in John Hills, Tom Sefton and Kitty Stewart (eds) *Toward a More Equal Society?* pp 47–69. Bristol: The Policy Press.

¹⁵ *Guardian* 14 September 2009 p 35.

¹⁶ Michael Hill (2009) ‘Freedom from want: 60 Years On’ in Kirstein Rummery, Ian Greener and Chris Holden (eds) *Social Policy Review 21: Analysis and debate in social policy* pp 11–28. Bristol: The Policy Press.

¹⁷ Ibid p 24.

work remained inadequate, this made it unlikely that the government would fulfil its pledge on child poverty.

Stephen Driver has argued similarly that British society remains as divided as when Labour took office in 1997. The Labour government's record reflected the balance of priorities between a market-led strategy for growth and welfare policies for social justice.¹⁸ Moreover, he argued that, since 2005, the battle against poverty had stalled. While the Labour government sought to extend its 'employment first' welfare policies by getting tougher on entitlements, when the economic outlook began to deteriorate and public spending came under a tighter rein, the outlook for Labour reforms looked uncertain. The buoyant labour market that sustained the welfare-to-work programme had gone, and after ten years of Labour government, welfare reform was still 'unfinished business'.¹⁹

The evidence on working poverty

Greater emphasis on the issue of working poverty has come, not so much from the government, but from individuals working for think-tanks and the funders of research. For instance, Peter Kenway from the New Policy Institute argued in 2008 that the rise of poverty in working families was undermining the drive to end child poverty. After falling in the early years of the Labour government's anti-poverty strategy, the number of children in working families living in poverty had returned to the level it had been at when Labour came to office. It was not that tax credits had failed, but that the problem of work providing sufficient income had got worse. Kenway recommended the creation of free universal childcare and a comprehensive review of the tax, tax credit and benefit systems. He also argued that a new approach should not focus on affecting family incomes through tax credits but should emphasize the government's indirect role in shaping the settings within which individuals and organizations make their decisions.²⁰

Similarly Graeme Cooke and Kayte Lawton, from the Institute for Public Policy Research, argued that efforts to tackle child poverty had not taken sufficient account of poverty in working households, which had become a growing problem. A breakdown of households with children, by work and poverty status, revealed that in 2005/6 the working poor comprised 1.2 million (16.6 per cent); the working not poor 5.0 million (69.3 per cent); the workless poor 0.8 million (11.1 per cent); and the workless not

¹⁸ Stephen Driver (2008) 'Poverty, social justice, and the Labour government, 1997–2007' *Benefits* 16, 2, 157–67.

¹⁹ Stephen Driver (2009) 'Work to be done? Welfare reform from Blair to Brown' *Policy Studies* 30, 1, 69–84.

²⁰ Peter Kenway (2008) *Addressing In-Work Poverty* pp 4–5, 19. York: Joseph Rowntree Foundation.

poor 0.2 million (3.0 per cent).²¹ Moreover, this research also revealed the composition of working poor families with children.²²

While child poverty had fallen from 3.4 to 2.8 million between 1996/7 and 2005/6, the number of poor children in working households remained static at about 1.4 million.²³ Working poverty was the key factor underpinning child poverty in couple families. This research revealed the complexity of the relationship between earning a low wage and being in poverty. Cooke and Lawton's proposals centred on the minimum wage, a personal tax credit allowance and reforming working tax credit. They argued that work was not a guaranteed route out of poverty and that the government was not addressing this issue.

Policy concessions

With the move to 'work that pays', Labour government policy in this field had shifted, reflecting a partial admission of the problem of working poverty. In particular, Lisa Harker's report for the DWP argued that in order to make further progress towards the 2010 target and to eradicate child poverty by 2020, further reforms were required. Establishing a modern employment service would enable parents to move into jobs and to progress in work, offering their families the best chance of a route out of poverty. She proposed a series of more supportive measures to make Jobcentre Plus work more effectively for parents. But Harker also noted that 48 per cent of children in poverty lived in families where there was someone in work.²⁴ She argued that a 'work first' approach was not enough. The government would need to provide adequate financial support for families as well as help to support parents into work. Far greater changes to the distribution of wealth, earnings and opportunities in society were necessary before child poverty could be finally eliminated.²⁵

On child poverty, the white paper on welfare reform promised that the then government would write its commitment on child poverty into law. The measures announced would 'encourage more parents to play an active role in supporting their children, help lift families out of poverty by making work pay and move towards achieving our ambition of giving all children the best possible start in life'.²⁶ Similarly, the *Ending Child Poverty* report (March 2008) noted that 1.4 million children living in

²¹ Graeme Cooke and Kayte Lawton (2008) *Working Out of Poverty: A study of the low-paid and the working poor* p 36, table 4.3. London: IPPR.

²² *Ibid* p 36, figure 4.4.

²³ *Ibid* p 35.

²⁴ Lisa Harker (2006) *Delivering on Child Poverty: What would it take?* A report for the DWP (Cm 6951) p 47. London: TSO.

²⁵ *Ibid* pp 7–10.

²⁶ DWP (2008) *Raising Expectations and Increasing Support: Reforming welfare for the future* (Cm 7506) p 138, para 7.30. London: TSO.

poverty, half the total, were in working families, and it conceded that ‘work is the surest route out of poverty but not an immediate guarantee: a combination of low wages and/or low hours in low skilled jobs may mean that working families remain in poverty’.²⁷

Interestingly, the Child Poverty Unit conference, held in June 2008, indicated a wider agenda. The ‘think-pieces’ covered communities, cultural and language changes, family and childcare, benefits, schools and education, employment, and universal versus targeted services.²⁸ Graeme Cooke, in particular, noted that, while parental employment had been rising and child poverty falling overall, the numbers of the ‘working poor’ with children had grown. He wrote that ‘paid employment no doubt reduces the risk of poverty, but for too many it offers a rocky and uncertain route’.²⁹ What was needed was progress on both worklessness and in-work poverty.

The emphasis on ‘making work pay’ was a partial admission of the problem of in-work poverty. Moreover, in November 2008 the government created the Take Up Taskforce to advise on how local services could reduce child poverty by helping poor families to access benefits and tax credits. Its report noted that there were particularly low rates of take-up of benefits by families where at least one parent was working.³⁰ The Child Poverty Unit’s consultation document *Ending Child Poverty: Making it happen*, published in January 2009, conceded that work itself was not always a guarantee out of poverty; low-paid work and worklessness were closely related as families cycled between the two. The economic climate, local labour-market conditions, transport, childcare and personal constraints were all determinants of employment opportunities.³¹

Working poverty: an old issue

The Labour government’s relative neglect of working poverty was all the more surprising given that poverty, work and wages have been the focus of much of the work of social investigators over the past 100 years. In his research on poverty in Tower Hamlets in the 1880s, for example, Charles Booth wrote: ‘by the word “poor” I mean to describe those who have a fairly regular though bare income, such as 18s to 21s per week for a moderate family, and by “very poor” those who fall below this standard, whether from chronic

²⁷ HM Treasury, DWP, DCFS (2008) *Ending Child Poverty: Everybody’s business* pp 15, 20, paras 2.10, 2.21. London: HM Treasury.

²⁸ Graeme Cooke, Paul Gregg, Donald Hirsch, Naomi Jones and Anne Power (2008) *Ending Child Poverty: ‘Thinking 2020’ A report and think-pieces from the Child Poverty Unit conference*. London: DWP.

²⁹ *Ibid* p 62.

³⁰ Child Poverty Unit HM Government (2009) *Taking Up the Challenge: The role of local services in increasing take up of benefits and tax credits to reduce child poverty* A report by the Take Up Taskforce p 2. London: DCSEF.

³¹ Child Poverty Unit HM Government (2009) *Ending Child Poverty: Making it happen* p 12. London: Child Poverty Unit.

irregularity of work, sickness, or a large number of young children.³² Booth's classes A, B, C and D were all earning wages but in poverty. The same was true in Hackney, where class A was the 'lowest class', class B the 'very poor', and classes C and D the 'poor'.³³ When he attempted to examine the heads of families, Booth found that, in classes A and B, 55 per cent were in poverty as a consequence of 'questions of employment', covering irregular work, low pay and 'small profits'.³⁴

In his social survey of York, Seebohm Rowntree classified the population in his classes A, B, C and D on the basis of family income. He found that 51.96 per cent of those in 'primary poverty' (640 households or 3,756 people) were in regular work but earning low wages. Rowntree concluded that 'the wages paid for unskilled labour in York are insufficient to provide food, shelter, and clothing adequate to maintain a family of moderate size in a state of bare physical efficiency'.³⁵ Rowntree's work was extended by Arthur Bowley through his use of random sampling methods. Bowley found that in all his towns apart from Stanley, County Durham, the principal cause of poverty was low wages, and it was this that led Bowley to conclude that 'a great part of the poverty revealed by our enquiries . . . is not intermittent but permanent, not accidental or due to exceptional misfortune, but a regular feature of the industries of the towns concerned'.³⁶

Finally and more recently, in the 1970s Tony Atkinson was interested in the relationship between low pay and poverty, and with low pay as an indirect cause of poverty. Those on low pay in April 1972 (with weekly earnings below two-thirds of the median earnings of all adult men working full time) were principally manual workers. Low pay could be an important factor leading to poverty in later life and was part of a more extended pattern of labour market disadvantage. Thus Atkinson concluded that low pay was 'a thread which runs throughout people's working lifetimes and beyond into retirement, and what may appear at first sight to be "bad luck" is likely to be related to labour market disadvantage'.³⁷ In his survey of poverty in the United Kingdom, Peter Townsend found that 14 per cent of men (1.45 million) experiencing no interruptions of employment through sickness or unemployment were living in or on the margins of poverty, and many more would have been had it not been for the employment of married women.³⁸ Low pay could cause indebtedness, prevent the accumulation of assets,

³² Charles Booth (1887) 'The inhabitants of Tower Hamlets (School Board Division), their condition and occupations' *Journal of the Royal Statistical Society* L, 2, 326–401, p 328.

³³ Charles Booth (1888) 'Condition and occupations of the people of East London and Hackney, 1887' *Journal of the Royal Statistical Society* LI, 2, 276–339, p 283.

³⁴ *Ibid* p 295.

³⁵ B Seebohm Rowntree (1901, 2000 edn) *Poverty: A study of town life* p 133. Bristol: The Policy Press.

³⁶ A L Bowley and A R Burnett-Hurst (1915) *Livelihood and Poverty: A study in the economic conditions of working-class households in Northampton, Warrington, Stanley, and Reading* p 42. London: G Bell and Sons.

³⁷ A B Atkinson (1973) 'Low pay and the cycle of poverty' in Frank Field (ed) *Low Pay* pp 101–17. London: Arrow Books.

³⁸ Peter Townsend (1979) *Poverty in the United Kingdom* p 620. Harmondsworth: Penguin.

reduce people's capacity to overcome sudden adversity, result in under-nutrition, and restrict their activities and social experiences.

Conclusion

Government efforts to tackle child poverty need to start from the acknowledgement that previous strategies that have focused on work as the best route out of poverty have had mixed success at best. This excessively narrow focus has led successive governments to take insufficient account of the complexity of the relationship between poverty, work and low pay and hence to give inadequate support to those children in poverty – who make up about half of all such children – who live in working families.³⁹

* * * *

³⁹ I would like to acknowledge the research assistance given by Becky Johnes in the writing of this chapter.

CHAPTER 4

* * * * *

Spreading wealth and encouraging enterprise

Howard Glennerster

* * * * *

WHAT THE POOR need above all else is sufficient financial assets and wealth to remain independent and to make real choices in the way they live their lives. Capital, if spread widely and shared within small communities, has the power to produce real social change. Local lending directed at local enterprise can create jobs and draw people out of poverty. But households with little experience of saving need encouragement and incentives to do so. Restoring the Child Trust Fund and extending it should be a high priority. However, any such initiatives will require some redistribution of wealth and a determination to ensure that no child leaves school without an adequate education.

If we look back at anti-poverty policy and debate over the period since 1909, one strand of thought has been noticeably absent, or rather died an early death. That is the notion that what the poor lack above all is assets: sufficient wealth and human capital to invest and to make real choices in the way they live their lives.

Wealth matters

In the early part of the 20th century, many socialists saw the redistribution of *wealth* as the key to poverty relief. Even small-scale wealth gave people freedom to choose a new path in life and to be independent. Building societies were, of course, originally working-class institutions that shared both savings and labour in order that people could build and own dwellings.

In 1904 an Italian economist, Eugenio Rignano, argued that death duties should be used to provide a capital fund that would enable ordinary people to set up new enterprises.¹ The death duty should be progressive, taxing more heavily those who had inherited their wealth further in the past. The larger and the longer-established the inheritance, the more it should be taxed.

Hugh Dalton, a leading figure in the Labour party's economic thinking in the 1920s and 1930s and briefly chancellor of the exchequer in the 1945 Labour government, was much taken with this line of thought.² But by the 1930s the Labour party had become convinced that public ownership alone would do the job of redistributing the fruits of capital. It did not, of course. Moreover, this particular Marxist tradition rejected the virtues of individual enterprise and ownership even if wealth could be widely spread. In the same way socialists of this period failed to see the virtues of spreading housing property ownership and surrendered that argument to the postwar Conservative party.

What an older communitarian socialist tradition had emphasized was the power of capital, if widely spread and shared within small communities, to produce real social change and economic diversity. We have mostly lost this idea. To their credit, the Conservatives under David Cameron have picked it up, though without, it seems to me, facing up to the really radical consequences of this line of thought. Encouraging local enterprise has to be matched by a determination to limit the concentration of vast wealth in a few hands. Concentrated wealth squeezes out local and small-scale enterprise, just as supermarket chains drive out small family shops.

¹ E Rignano (1904) *Di un Socialismo in accordo cella Doctrina Economica Liberale*. Referred to by Dalton in its French translation.

² H Dalton (1922; 1954 fourth edition) *Public Finance*, London: Routledge and Kegan Paul; H Dalton (1929) *The Inequality of Incomes*, London: Routledge and Kegan Paul (see last two chapters on capital and assets); M J Daunt (2002) *Just Taxes: The politics of taxation in Britain 1914–1979*, Cambridge: Cambridge University Press.

What we saw in the recent banking crisis was the state stepping in to protect huge private banks from the consequences of risky investments made on behalf of the very rich. If only a tiny part of that ‘insurance’ could have been devoted to backing community or local banks to make ‘riskier’ but potentially beneficial loans to people in poor communities, it could have made a huge difference to them. The capital the state *has* put into poor communities has so often taken the form of buildings, as if physical structures in themselves could transform people’s lives.

Having the insight that capital matters to the poor, however, does not get us very far. It makes no sense merely to encourage the poor to invest – people who have grown up with no savings and without owning capital or assets. We have seen in the US how poor communities suffer when loans to buy houses are made too freely available. Cash capital without human capital – money without the skills to use it – is self-destructive.

Yet the capacity to be entrepreneurial is certainly not lacking in poor communities. The community enterprise movement, supported with some government and big business help, has made some headway. What is needed is something much larger, better resourced, and amply supported with help and advice. The sums involved would be tiny compared with the price of saving UK global banks.

So what might such a positive wealth programme look like?

Restore and extend the Child Trust Fund

Abolishing the Child Trust Fund (CTF) was, interestingly, one of the very first things the coalition government did. Yet the logic behind the CTF was specifically to encourage a savings culture, especially in the case of families that had had little opportunity to develop one. It was Tom Paine who first advocated taxing wealth-holders, removing their estates at death and distributing the proceeds equally to all families at the birth of each child and again on their marriage – in effect, a national dowry system.³ Paine thought it would provide an alternative to poor relief: better to give people independence, he argued, than to have them rely on demeaning handouts or the workhouse. A more recent precedent for this policy came from the United States, but the logic was similar – incentivizing thrift.⁴

In the CTF system, the sum given by the state at the birth of a child was very small – a £250 voucher to start a bank account for the child. Where a family was receiving a child tax credit, it was given another £250. When the child reached the age of seven, there was a further £250, and if the household was receiving income support or income-based jobseeker’s allowance, there was another £250. If the parents did nothing, the sum was allocated to a default account for the child.

³ T Paine (1791/2, 1969) *The Rights of Man*. Harmondsworth: Penguin.

⁴ D Nissan and J Le Grand (2000) *A Capital Idea : Start-up grants for young people*. London: Fabian Society.

The striking evidence was that even poor families did start bank accounts and added to the sum donated by the state. Eighty per cent of parents participated in the scheme. A third of parents added to the original sum by investing in the designated accounts. The additional sums averaged £250 a year, doubling what the government originally gave. Even a fifth of poorer parents on income support contributed themselves. Accounts opened by parents in 2002/3 were worth, on average, about £600 in 2007/8.⁵

A launch pad for life

All this added up to a tiny amount of wealth distribution, of course, but the Child Trust Fund was one of the very few attempts made by any government to redistribute wealth on a personal basis.⁶ The principle seems to me absolutely right. But it needs extending not just in the size of the sum given to children but as a sum given at adulthood too, as Tom Paine originally proposed. A record of saving continued into adulthood might be taken into account in deciding on access to a government-backed loan from a local bank. The ‘record’ would not be the absolute amount a family had saved but would take into account the continuity and scale of savings in light of the family’s available means.

The sum made available would depend on the purpose the potential borrower had in mind, their educational record and skills, and a proper risk assessment. If the loan were wilfully misused, there would have to be sanctions. But with such a loan would go advice and possibly additional financial and other training. This raises the question ‘where does the money come from?’, to which I shall return below.

Local lending for local enterprises

One of the features of the poorest areas of our cities, and many rural areas too, is that there are few locally based jobs with which young people can identify. Knowledge and incentives to apply for vacancies come from informal networks – people who know that a job is coming up or who know the employer or manager. These are jobs that young people recognize and think are a realistic option. The ladders are local and the rungs reachable.

Outposts of big organizations often have rigid hiring processes and the employers come from the distant suburbs or the ‘big city’. This can be no less true of the public sector. One unsung virtue of devolving budgetary responsibility to schools, local estates and GP surgeries is that those running them often see the point of employing local staff who can be flexible, have short journeys to work, and know the local children or where

⁵ These figures were taken in November 2009 from the old Child Trust Fund website (www.childtrustfund.gov.uk). No child born after 1 January 2011 will qualify.

⁶ The sale of council houses at knockdown prices is perhaps another, though with less desirable side effects!

patients come from. The great virtue of small local private employers is that they too have ties with local neighbourhoods and cultural or religious communities, and they can build links that reach the poor.

It therefore makes sense to foster locally bred jobs. But big banks and other lending agencies do not gain by such lending. Their knowledge of such areas is limited, and perceptions of risk are high, especially if the area has a bad name. Local purchasing power is low; skills are poor. Extra time and effort is needed to advise clients on potential business plans, or even to get them to understand what a business plan is.

Yet the wider public gain could be high. In deprived areas well over half the local income is likely to come from public sources. If this could be reduced significantly, it would save the exchequer large sums in the long run. This public benefit needs to be reflected in the incentives offered to lenders who are prepared to put additional time and trouble into advising clients and running additional risks.

Who should do this? A local authority might take on the task, or perhaps a new kind of community bank, but the likelihood is that established banks, with their expertise and links with the financial world, could do it if only the incentives were right. The whole scheme would have to be carefully balanced, as we have noted already, since irresponsible lending is the last thing that is needed. There are, of course, more poor people living outside poor areas than in them, so these opportunities need to be spread into the banking system more generally.

There are some models to build on. Perhaps the most striking has been the success of loans to women in villages in developing countries. The Grameen Bank schemes in Bangladesh are the best known, but there are other microfinance initiatives of this kind, such as the Community Enterprise scheme in Scotland. Women often show extraordinary resilience and enterprise in developing community projects and ideas of their own in the poorest areas of our cities. Capital behind them could bring other kinds of breakthrough.

It may be argued that there is no appetite for enterprise among the poor. Poor areas simply do not generate the demand for local custom services that makes any local business viable. I think this underestimates the ingenuity of people if they are given the opportunity and the expertise to serve and create markets beyond their own community.

Some of those losing their jobs, perhaps from skilled positions or as managers of small enterprises, could well be helped with financial and business training to change occupations or to branch out and set up their own businesses. This is not impossible under existing rules, but it cannot be done at the same time as securing a loan with government backing and receiving continued advice over a prolonged period. This could become a much more important feature of the welfare-to-work programme set up to help people into, or back into, the workforce.

Human capital

It is no good trying to spread financial assets more evenly if human capital assets remain so unevenly spread. Evidence from the US suggests that the single most important variable associated with long-term disadvantage, excluding social givens such as family origins, was basic proficiency in basic skills, and in mathematics in particular.⁷

We focus too much attention on children achieving five or more A–C grades at GCSE. This has led to too much emphasis being placed on getting children on the borderline to perform just above it. Those with little chance of reaching that line have been neglected. Too little effort has been devoted to ensuring that no child reaches the age of 16 without basic competences. Current programmes are meant to encourage schools to follow up on poor achievers, but the headline pressures are not on this goal but on higher GCSE results.

At the moment we invest hugely in the human capital of the more fortunate part of the population who gain access to university. That will still be true even after the changes in student funding announced in November 2010.⁸ I have long supported the idea of creaming off some of the rewards graduates gain from their higher education and reinvesting it in preschool provision and extra resources for poorer children.⁹ The current government is doing the former but not the latter. Moreover, unless very carefully presented, the nature of ‘student debt’ may be misunderstood and could well deter children from poor families from entering higher education. We invest extraordinarily little in the post-school human capital of those who leave school early. This is not being addressed by the coalition government. Indeed, major cuts will fall on this sector.

Wealth tax

Some of what I have said so far ought to obtain some support from the present government. However, for any *positive* wealth strategy to work, it has to be accompanied by some tough measures to *redistribute* wealth. Not only does the money have to come from somewhere; it is also the case that if wealth is so heavily concentrated in the hands of a few, there will be no room for other mortals or enterprises to make any headway.

It is extraordinary that the Labour party has only ever once advanced a proposal to tax wealth in a successful election manifesto. That was in 1974, but the proposal was seriously flawed. It meant a valuation of all forms of wealth every year, from Aunt

⁷ H Glennerster (1998) ‘Tackling poverty at its roots? Education’ in C Oppenheim (ed) *An Inclusive Society: Strategies for tackling poverty*. London: IPPR.

⁸ Department for Business Innovation and Skills (2010) ‘Reform for higher education and student finance’ 3 November 2010. www.bis.gov.uk.

⁹ H Glennerster (1972) ‘Education and inequality’ in P Townsend and N Bosanquet (eds) *Labour and Inequality*. London: Fabian Society.

Maud's silver to Uncle François' Pissarro. In government Labour gave up the idea and has not revisited it since.

The much more practical notion of taxing the *recipient* of any major gift – an accessions or capital receipts tax – would increase the incentive for spreading wealth-giving. In 2000 such an idea was advanced and worked out in some detail by the Fabian Society Commission on Taxation and Citizenship.¹⁰ It also argued that the revenue should be devoted to giving a grant or dowry to every citizen who reached the age of 18. In the recently published Mirrlees Review, the Institute for Fiscal Studies backed the idea of taxing life-time receipts.¹¹

The politics of wealth taxation have become more difficult as housing wealth has spread. Ordinary people feel that they will be caught, even though wealth is concentrated in a very small proportion of the population. The wealthy have perfected the art of tax avoidance and the loopholes have been helpfully wide. In 1913, shortly after their introduction, death duties produced about 17 per cent of all government revenue; in 1937 the figure was still 7 per cent; in 2005 the equivalent figure was just 0.6 per cent. Nevertheless, the notion that gifts to *already* rich people should be taxed and the proceeds used to give everyone a more equal start in life might well be politically saleable. It is not possible to subscribe to the notion of equal opportunity or reward on merit if some people start the race virtually at the finishing post.

No easy answers

I am not suggesting that any of the above amounts to a foolproof way of abolishing poverty, nor that it is politically or technically easy. The heavy lifting of poverty relief must still be done by adequate welfare benefits and work incentives of the kind that others in this collection of essays discuss. What I am arguing is that these will not be enough on their own. It may be true that most poor people will never have the confidence or the cultural traditions to become entrepreneurs or to save enough to rescue them from poverty. But I do believe that more people using capital in innovative ways, creating jobs in poorer neighbourhoods, would do a lot to drag others out of poverty.

* * * *

¹⁰ Fabian Society Commission on Taxation and Citizenship (2000) *Paying for Progress: A new politics of tax for public spending*. London: Fabian Society.

¹¹ Mirrlees Review (2010) *Tax by Design*. London: Institute for Fiscal Studies.

CHAPTER 5

* * * * *

Stop taxing people into poverty

Peter Kenway

* * * * *

THE ORTHODOXY THAT work is the proper route out of poverty – all too often proved false – has skewed the tax system into a vehicle to provide incentives to draw people into work. As a consequence, the reality of in-work poverty has not only been insufficiently acknowledged but has actually been exacerbated by government tax policies. A significant step towards realizing the dream of eliminating poverty, especially child poverty, would be to stop taxing low-income households until they can afford it.

This essay offers an answer to the question: what single measure should government adopt in order to have a positive impact on poverty? The answer we offer is: cut taxes for low-earning households. But that answer is easily said. What the essay is really about, therefore, is *why* this should be the measure adopted. Beginning with an assessment of what has been achieved on poverty since 1997, we proceed via reflections on the idea of poverty, how it is treated and the role of the state. The crucial conclusion revolves around the large but still little-acknowledged fact of ‘in-work poverty’ – and the idea that the right response here, now, is for government to step back to do less harm, rather than step forward to do more good. The essay concludes by evaluating the place of such a proposal within a collection marking 100 years of the Minority Report.

Poverty and child poverty: the New Labour record

A century on from the publication of the 1909 report, what does the sustained, 13-year attempt by New Labour to end child poverty tell us about what is needed in future to realize the aim of an adequate income for all?

Whatever else may be said about it, the attempt did not want for good, official statistics (albeit always out of date) against which progress could be judged. What those statistics show, however, is altogether less impressive. Using the income threshold most commonly used to proxy poverty in the statistics,¹ 22 per cent of the population belonged to low-income households in 2008/9, down 3 per cent from 25 per cent in 1996/7 – that is, the last year of the Conservative government. In the case of child poverty (the explicit goal of New Labour policy), the proportions are 30 per cent (in 2008/9), down 4 per cent from 34 per cent (in 1996/7).

In both cases, there had been more progress up to 2004/5, with a reduction, compared with 1996/7, in the overall proportion of the population belonging to low-income households of 4 per cent and a reduction of the proportion of children belonging to such households of 6 per cent. So, roughly speaking, about one third of the gain of the period up to 2004/5 had been lost four years later. Given the favourable economic conditions that New Labour enjoyed, at least up until the banking crisis in 2007 and the subsequent economic recession, this is a meagre return.

Any prospect of fulfilling Blair’s 1999 pledge to abolish child poverty by 2020 vanished several years ago, once it became clear that the better (but still insufficient) rate of progress recorded up to 2004/5 had ceased. By setting a target for 2020 which

¹ Below 60 per cent of median household income ‘after housing costs’, adjusted (‘equalized’) to reflect the fact that a larger household needs more money than a smaller household to achieve the same standard of living.

amounted to little more than a mere halving of the current child poverty rate, the 2010 Child Poverty Act marked the formal acknowledgement of this reality.²

What has gone wrong? Three explanations

How should we react to this record? Broadly speaking, there are three possibilities. The first is that the approach adopted by the government was correct in principle but not implemented with sufficient vigour. Many of the organizations campaigning against child poverty have long been urging the government to put more money into tax credits, spurred by a Joseph Rowntree Foundation report from 2006 which estimated how much more money would be needed in order to halve child poverty by 2010.³ The government, however, did not go as far as the campaigners wanted.

How likely is it that this explanation of what went wrong is correct? That progress stalled, with child poverty actually climbing again after 2004/5, is true. No doubt, too, more money at that point would have slowed this. But the relevant question is not whether a little bit more could have been done, but rather whether this approach, which *at its best* had got the government less than a fifth of the way to its goal, was really capable of taking things much further.⁴

The second explanation is that while the government was correct to emphasize work as the route out of poverty, the vehicle it used to try to get people into work, namely the tax credit and benefits system, was not fit for purpose. With its careful examination of the tax credit and benefits system, a 2009 report from the Centre for Social Justice, chaired by the former Conservative leader Iain Duncan Smith, exemplifies this position.⁵ Addressing the problems of those with very low earnings who may face deduction rates in excess of 90 per cent, the report makes proposals for reform of the extreme end of the current system. They include simplification (by reducing the number of benefits to just two); a reduction in the maximum rate at which benefit is reduced as earnings

² The 2010 Child Poverty Act sets a target of 10 per cent for 2020/1. This, however, is on the alternative 'before housing costs' basis for measuring household income. Measured on that basis, some 22 per cent of children belonged to low-income households in 2008/9.

³ D Hirsch (2006) *What will it take to end child poverty?* Joseph Rowntree Foundation.

⁴ And it is not just a matter of scale. The cumulative effect of a steady policy over ten years directed at putting money into children's benefit (child benefit and the child tax credit) has gone beyond not one but two likely limits to the policy. The first is that, for the first child, the maximum amount of money payable in children's benefits is now more than the amount of benefit paid (eg via jobseeker's allowance) for an adult. The amount for the second and subsequent children is only a few pounds a week less. For children to get more than adults reverses what had previously always been the case, right back to 1948. Second, the maximum value of children's benefit payable even for the second and subsequent children now exceeds the extra income that is needed to keep a family in the same position on the income scale when an extra child comes along.

⁵ Centre for Social Justice (2009) *Dynamic Benefits: Towards welfare that works*, a policy report by the CSJ Economic Dependency Working Group. This paper became the basis for the coalition's government's 2010 Welfare Reform white paper.

begin to grow; and an increase in the ‘disregards’ – that is, the amount of money that people can earn before they start to lose any benefit.

Yet as a proposal for reform, the report shares with New Labour the idea that the role of the tax credit and benefits system is to get people into work by providing them with better incentives to do so. The idea that it is this – to provide people with the right incentives to enter work – that is the *primary* job of this system has been part of orthodox thinking since the early 1980s. It comes, though, at a heavy cost.

One part of this is the way it displaces the idea that underpinned the original design of the welfare state – namely, that the primary role is to provide an adequate income in the event that a household lacks work. Whether the welfare state ever actually succeeded in doing this (benefits were arguably set at too low a level at the start) is a moot point;⁶ but there is no doubt that this is what Beveridge intended, as the eponymous 1942 report devotes considerable attention to various income studies conducted before the war that sought to establish how much money a family would need. The growing body of work devoted to establishing ‘minimum income standards’ is a direct, modern-day successor to these studies, with the capacity to play the same role.⁷

Another cost of the preoccupation with incentives is the way that it glosses over the question of whether it is really true that work is the route out of poverty. ‘Work for those who can, security for those who can’t’ was the New Labour mantra for many years – with the implicit assumption that work would be sufficient to avoid poverty.⁸

The reality, however, is very different. In each of the five years up to 2008/9, more than half of all children in low-income households were in *working* households. This continued to be true even during at least the first year of the recession that began in 2008, in contrast to what happened on the previous two occasions, in the early 1980s and the early 1990s. Given this, there is no reason to expect any marked break in the firmly upward underlying trend, from 900,000 in 1979, to 1.8 million in 1989, to 2.1 million in 1998/9, and – with renewed growth after a period of decline – to 2.2 million in 2008/9. Behind these figures the effect of New Labour’s policies can be detected, slowing the rise in a time of normal economic growth but unable to bring about any sustained reduction.⁹

⁶ High inflation in the immediate postwar years reduced the real value of the benefits that had been set in the Act.

⁷ See www.minimumincomestandard.org.

⁸ For example, ‘How we help people into work and provide security for those who can’t work’ was the heading to the relevant chapter of the 2001 manifesto.

⁹ For a graphical presentation of the data behind this paragraph, see figure 1 in P Kenway (2008) *Addressing In-work Poverty*, Joseph Rowntree Foundation.

The triple challenge of in-work poverty

This, then, is the third and final explanation of what went wrong – namely, that the key assumption about work being the route out of poverty is, all too often, false.

How could the extent of in-work poverty have been missed for so long? Faulty logic might have played a small part: the fact that most people in working households do not have low income does not mean that most people in low-income households do not have work. But a look back at the formative thinking over 100 years suggests that the problem is much deeper – and that the first of three challenges that modern in-work poverty presents strikes at one of the foundation stones of the welfare state itself.

For Beveridge, no less than New Labour half a century later, proceeded on the basis that, allied with state support for children ('child allowances'), earnings would normally be sufficient to provide a family with an adequate income.¹⁰ To the extent that the Minority Report called for a minimum wage (as well as family support), it was less sanguine than Beveridge about the money which, if employers were left unregulated, could be made from working. Yet current levels of in-work poverty exist side by side with both high (maximum) levels of child support and a national minimum wage. While it is always possible to argue that one or both of these are not high enough, it is unlikely that mere matters of degree can be responsible for a level of in-work poverty that is so far removed from what is assumed to be the case.

In-work poverty also poses a challenge to the way that poverty in general is thought about. Put it like this: when 'government' is the subject and 'people in poverty' are the object, what is the verb most commonly used to describe the action that the former takes in relation to the latter? The answer is surely 'help' or its synonyms, including 'support', 'lift' and (usually in the international context) 'aid'.¹¹

But there is a difficulty here. 'Help' – when the help is, or could be, mutual (as in 'the only people who help the poor are the poor themselves') – is one thing. But government 'help' is not like this at all, resting instead on a relationship of profound inequality of both power and resources. As a result, 'help' can only properly be given to those who are thought of as helpless – children, obviously, and to a lesser extent pensioners (although there is certainly resistance to that idea on the part of pensioners themselves).¹² By contrast, 'help' is simply not appropriate for able-bodied, working, working-age adults. While in-work poverty is well defined and measurable within the

¹⁰ Indeed, since child allowances were only available for the second and subsequent children, the assumption was actually that earnings would be sufficient for a couple and one child.

¹¹ When 'poverty' itself is the object, the verb is usually an expression of intent. While the strength varies considerably (from the tepid 'tackle' or 'address' to the strident 'eradicate' or 'abolish'), they are almost invariably content-free.

¹² For example, the extraordinarily low levels of take-up of certain means-tested benefits (around just 60 per cent for both pension credit and council tax benefit). By contrast, the state pension, a right to which has been earned as a result of contributions made, enjoys almost 100 per cent take-up.

world of statistics, there is a dissonance to the concept that makes it hard to grasp – and even harder to see what should be done about it.

The final challenge posed by in-work poverty arises from the fact that the state itself contributes to the problem through the income tax, national insurance and council tax that low-income working households have to pay. In 2008/9 a single adult needed just over £120 a week, net of these three taxes, to be counted as being above the poverty line. Yet in that year income tax was payable on gross weekly earnings above £125, national insurance on gross weekly earnings above £95, while council tax was payable if household weekly earnings exceeded £65.

The problem here is not just the money that is taken away in the form of tax but also the rate at which extra earnings are taxed via income tax and national insurance and the rate at which tax credits are ‘tapered away’ as income rises. For those receiving housing and council tax benefit, these tapers can exceed 90 per cent. In other words, at least 90 pence of every extra one pound earned is in effect lost through a combination of higher taxes and lower benefits (and credits). A much larger number of households face a marginal rate of 70 per cent, arising from a combination of income tax and national insurance as well as the 39 per cent taper on tax credits.

The nature of the two burdens imposed by the tax system is quite distinct. The tax taken away simply reduces net household income. The taper, by contrast, hampers the household’s ability to increase its net income. While this is true for any income-based tax, it is neither inevitable nor desirable that it should be the lowest-earning households which face the highest tax rate of all.

That the state contributes to the problem of in-work poverty is a direct challenge to anyone who believes that (in the right hands) the state can do nothing but good. Was such an attitude characteristic of New Labour after 1997?

‘Despite the humanity and generosity of its founders, it degenerated in practice into a system of attempted social engineering, perilously dependent on the assumed predictive capacities of the social sciences – above all of economics. Ministers and officials thought social scientists knew what levers would-be engineers would have to pull in order to put their values into practice, and that if the levers were manipulated correctly, the desired response would come forth. Few doubted that society could be changed by this sort of social engineering, or that it was right to rely on manipulation from the centre rather than on persuasion and negotiation.’¹³

These words of David Marquand actually refer to the Labour government of the 1960s. One major difference with the 1960s is that the levers then were mainly economic – the commanding heights of the economy controlled according to Keynesian principles.

¹³ D Marquand (1999) *The Progressive Dilemma*, 2nd edition, pp 255–6. London: Weidenfeld & Nicolson.

With Keynesianism eclipsed by free-market principles, this was not an option for New Labour. But that did not mean there were no levers. By basing itself on the self-seeking, rational individual, free-market ideology opened up the possibility that society could be remade if the incentives and opportunities facing each individual, as well as their capacity to grasp them, were properly adjusted. Informed by these individualist principles, New Labour was able to maintain a belief in the power of social engineering, to occupy not so much the commanding heights of the economy as the commanding heights of society. Once those heights had been occupied, the idea that actions taken there could actually make the problem worse was – and is – very difficult to grasp.

What can be done: do not tax low-income households until they can afford it

So what should be done? Our ‘single measure’ that government should take is to cut taxes at the bottom. But more positively, low-income households should not be taxed until their earnings are sufficient to provide a minimum adequate standard of living. Furthermore, when tax does begin to be levied, it should be set at as low a rate as possible, certainly lower than the current effective rate of 70 per cent.

Not being a policy paper, this is not the place to set out what should be done to bring this about. There are, however, plenty of policy options available to government. They include:

- raising the level of the personal allowance to remove low earners from income tax altogether;
- raising the level of the income thresholds above which benefits and tax credits start to be tapered and/or council tax begins to become payable;¹⁴
- reducing the rate at which tax credits and benefits are tapered away as earnings rise;
- increasing income tax (which is paid on company profits and personal savings) and reducing national insurance (the burden of which falls on employees);
- reintroducing a (lower) starting rate of income tax.

Invariably with matters of this sort, the devil is in the detail. Adverse and unintended consequences have to be thought about, and what may at first look like a good idea may turn out on further reflection not to be. But none of these are reasons for inertia. Not only is there much that can be done but also very little of it is actually new (eg the treatment of lower-income pensioners provides a model); and with the exception of

¹⁴ If this makes council tax sound like a form of (household) income tax, then that is because, for people entitled to council tax benefit, that is exactly what it is. Both advocates and opponents of the idea of replacing council tax with a local income tax miss this rather important point.

the headline income tax rates, most of it is technical. In the absence of details, it is not possible to say how far reforms here could go; but the required direction of travel is clear.

How would such a proposal sit with the Minority Report?

As anyone familiar with it will recognize, most of the changes mentioned above are the stuff of which the relevant policy debate is composed. Before the 2010 general election, the Liberal Democrats proposed a big increase in the personal allowance, while the Centre for Social Justice report mentioned above contains proposals for reducing the very high tapers on benefits and tax credits. These examples, though, raise an interesting point: does the argument for ‘cutting taxes at the bottom’ properly belong on the left? More specifically, can it be seen as belonging to the tradition of the Minority Report – or is it instead at odds with it? A complete answer to this question is not straightforward.

On the one hand, the argument that low-income people are in poverty in part because they are taxed too heavily and too soon is most clearly a social type of explanation for in-work poverty rather than a personal one. One of the defining features of the Minority Report is that poverty is to be explained as a result of the way that society is organized rather than as a result of any personal weakness or failing on the part of people in poverty themselves. The division between social and personal explanations of poverty is a crucial one, and in this most important respect the argument here is fully in line with the Minority Report.

The affinity should not be pushed too far, though, not least because of the huge difference in the scale and extent of income taxation in 1909 compared with 2009. The number of income-tax payers in 1909 was apparently unknown – no ‘trustworthy estimate of the number of income tax payers [can] be given,’ Lloyd George told the House of Commons. He did, however, go on to report that the number liable to super-tax in 1909/10 was approximately 10,300.¹⁵ Thirty years later, just before the Second World War, that figure had risen ten-fold, to 105,000. Over the 70 years since then, the total number of income-tax payers has risen some six-fold.¹⁶ While the resulting combination of these two increases – a sixty-fold increase over 100 years – can be no more than vaguely indicative of the change that has taken place, it is quite clear that the number of income-tax payers in 1909 was a different order of magnitude from what it is today. As a result, the problem of the income taxes paid by low-income working households simply could not have presented itself as a problem to the authors of the Minority Report as it presents itself today.

¹⁵ http://hansard.millbanksystems.com/written_answers/1911/may/18/income-tax#S5CV0025Po_19110518_CWA_18.

¹⁶ www.hmrc.gov.uk/stats/tax_receipts/table1-4.pdf. In making this comparison, it should be noted that, whereas modern statistics refer to the number of individuals paying income tax, those prior to the early 1970s count husbands and wives as a single taxpayer.

Even allowing for this difference in scale, to conclude that the argument here can claim descent from the Minority Report would be misleading. The idea that working people would – up to a point – be better off if the state focused on reducing the burden it placed upon them would surely not have commended itself to the Fabian authors of the Minority Report. For it is to Fabianism that the quotation above from David Marquand (the ‘it’ in the first line) refers. As the intellectual inspiration for the Olympian perspective that has been adopted by Labour governments Old and New, Fabianism has been hugely influential. By contrast, a call to cut taxes at the bottom is informed by the opposite, plebeian perspective within Labour. That this plebeian influence may have been slight by comparison cannot be denied; but when it is ignored, space is left in which other political parties’ populist remedies may flourish.

* * * *

CHAPTER 6

* * * * *

Hands off child benefit!

Jonathan Bradshaw

* * * * *

CHILD BENEFIT IS a crucial weapon in the battle to tackle poverty in Britain. While it has several practical advantages over means-tested benefits, its principal recommendation is the very fact of its universality: it is an iconic benefit, a precious relict of the comprehensive scheme envisaged by Beveridge in 1942. Child benefit makes a vital contribution to social solidarity, as a mark of the value that the state attaches to the role of parents in raising children.¹

¹ This chapter was written before the 2010 general election and before the emergency budget in which the new coalition government announced that child benefits would be frozen for three years and removed from higher-rate taxpayers. This decision has been much criticized for being unfair to one-earner higher-rate taxpayers and also for introducing administrative complexity in the context of independent taxation. The best that can be said for it is that it avoided a new means test. There was anxiety that child benefit might be removed from 16–18-year-olds in education. Instead, the coalition abolished education maintenance allowances.

The Minority Report was preoccupied with the workhouse and the poor law and in particular with its treatment of the able-bodied. Despite some discussion of the problem of sweated labour (low pay in those days), the recommendations were mainly focused on the unemployed through the ministry of labour and labour exchanges. This is in spite of the fact that Seebohm Rowntree had demonstrated in 1901 that over half of those in York in primary poverty were in regular work: ‘the wages paid for unskilled labour in York are insufficient to provide food, shelter, and clothing adequate to maintain a family of moderate size in a state of bare physical efficiency.’² It was another social reformer, Eleanor Rathbone who, through the publication of her *Disinherited Family* (1924), began to change the mind of the nation in favour of family allowances.³

Why child benefit?

The Webb Memorial Trust asked us to identify our number one priority for tackling poverty in Britain. Many people may consider my choice – child benefit – a strange one. Child benefit is a non-means-tested cash benefit paid to all mothers (in 2009, at the rate of £20.00 per week for the first child and £13.20 for the second and subsequent children). Although it contributes to reducing child poverty rates and closing child poverty gaps, it is arguably not as important in the package of transfers that contribute to reducing child poverty as child tax credit, working tax credit, income support and housing benefit. They are income-tested benefits and therefore higher for families with children living below the poverty threshold.

As I will argue below, child benefit has certain other advantages over these means-tested benefits. However, the choice of child benefit is not to do with its technical merits as a poverty-reduction device but because it is an iconic benefit, almost the last representative of the universal,⁴ comprehensive scheme that Beveridge proposed in 1942 and the Labour party implemented after the Second World War.⁵ The whole social security system in Britain has been struggling for decades against an onslaught of means-testing. Much of Beveridge’s national insurance scheme has been occupationalized: responsibility for sickness and maternity is now in the hands of employers. The residue of unemployment insurance struggles on in the form of contribution-based jobseeker’s allowance (JSA) and employment support allowance (ESA), but hardly any of the unemployed qualify. Even if they do, they get no more than they would receive in income-tested JSA/ESA. Beveridge’s contributory basic state pension is paid at a rate

² B Seebohm Rowntree (1901, 2000 edn) *Poverty: A study of town life* p 133. Bristol: The Policy Press.

³ E Rathbone (1924, rev 1927) *The Disinherited Family: A plea for direct provision for the costs of child maintenance through family allowances*. London: Allen & Unwin.

⁴ Actually near-universal, because asylum-seekers and those with work permits are not eligible for child benefit.

⁵ In fact the Family Allowance Act was passed by the Conservative government between the collapse of the war coalition and the 1945 general election.

well below the level of means-tested pension credit; 2.13 million pensioners are claiming pension credit, while another 300–350,000 are eligible and not claiming. Thirty-four per cent of all social security spending is now means-tested – it was 13 per cent in 1948. It is a sorry picture and one that has got no better than it was when Labour came to power in 1997.

So child benefit is very important. It is the thin red line, it is Horatius holding the bridge. If it is broken or overwhelmed, then any hope that Britain's welfare state will ever again look anything like what its founding fathers intended will go forever. We will float away from the Nordic and continental model and back towards a poor law welfare state.

Child benefit under attack

Child benefit is under attack and not just in Britain. The challenge of the global financial crisis has allowed the usual suspects to re-emerge and begin the onslaught. In Ireland the Special Group set up by the Irish government to make proposals for cuts in public expenditure has proposed annual savings of €513 million by cutting the standard rate of child benefit of €166 per month for the first two children and €203 per month for the third and subsequent children; instead, they propose a standard rate for all children of €136 a month.⁶ Now there are also proposals to tax what remains.

There are few poor countries that have universal child benefits, not least because the World Bank has been a longstanding and determined enemy of such benefits – indeed, of any benefit other than (conditional) targeted social assistance. Now the World Bank is using the recession as an opportunity to reinforce its message.⁷ For example, the Lithuanian government has been resisting a World Bank public expenditure review recommendation that their child benefit scheme should be emasculated to save €87 million per year.⁸ Poorer countries that might have begun to recognize that World Bank targeted social assistance schemes were ineffective in combating child poverty, and were therefore possibly considering alternatives, may now be giving up the struggle.

In Britain right-wing pressure groups are already on the attack. The TaxPayers' Alliance and the Institute of Directors, in pursuit of £42.5 billion of cuts in public expenditure (and no tax increases), have proposed among other things the abolition of

⁶ Irish Department of Finance (2009) *Report of the Special Group on Public Service Numbers and Expenditure Programmes* vol 2. Ireland: Government Publications.

⁷ In 2008 the World Bank refused to publish a chapter on child poverty that they had commissioned UNICEF to write for the Georgia Poverty Assessment, on the grounds that it included (among other things) an assessment of a universal child benefit.

⁸ The Lithuanian child benefit scheme is not universal. It is paid in respect of children of three years and older (maternity-leave benefits cover the first two years) in families with per capita income less than three times the social subsistence income (SSI). The World Bank proposes that the threshold be reduced to two times the SSI, partly on the grounds that increased numbers of families are going to be driven under the three-times threshold by the recession.

child benefits. According to Patrick Wintour of the *Guardian*: ‘Both groups hold sway inside the Conservative party and the proposals will be welcomed by shadow ministers eager to have outriders creating a climate of respectability around the big cuts.’⁹ More recently, Nick Clegg, leader of the Liberal Democrats, mentioned child benefits in the context of his suggestion that ‘savage’ cuts in public expenditure were needed. Mercifully, George Osborne at the Tory conference pledged to preserve child benefit.

History of child benefit

Child benefit has had a pretty torrid history. For many years the Child Poverty Action Group (CPAG) campaigned in favour of combining family allowances and child tax allowances. Family allowances were being paid only to the second and subsequent children, while child tax allowances were not benefiting low-income groups who had incomes below the tax threshold. As so often, more was being spent on the children of the middle- and upper-income groups. The Labour government in power between 1964 and 1970 never got round to dealing with the issue. The Tories won the 1970 election, and the secretary of state for social services, Sir Keith Joseph, introduced a new means-tested benefit, family income supplement, in place of child benefits. The Labour government committed itself to child benefit in the 1974 election, but a leak of cabinet papers to CPAG demonstrated that the chancellor of the exchequer, Dennis Healey, was fighting a bitter rearguard action with Barbara Castle, Joseph’s successor at social services, to prevent the introduction of child benefits, mainly because of the transfer from fathers’ wallets to mothers’ handbags that was involved. In any case, Barbara Castle (and CPAG) won and child benefit was phased in from 1978.

The Thatcher government did not have the courage to abolish child benefit, but it was left to wither on the vine, declining in value (for a two-child family) from 8 per cent of average earnings in April 1979 to 5.4 per cent by the time Labour came to power in 1997. Labour left it to wither for two further years, then rescued it and linked it to the retail price index. In April 2008 it was worth 5.5 per cent of average earnings – still considerably less than it had been under the Labour government that introduced it.

The UK is not at all unusual in having a universal child benefit. In the European Union every country except Italy has a universal child benefit or an equivalent child tax benefit. Japan has just introduced one. In Australia and South Africa, child benefits are

⁹ *Guardian* 11 September 2009.

income-tested but effectively exclude only the rich.¹⁰ In Namibia there is an amazing experiment with so-called ‘basic income’.¹¹ Argentina, the first middle-income country to introduce universal child benefit, has just extended it to families outside the formal economy.

Arguments in favour of child benefits¹²

Horizontal equity

Child benefits are recognition by the state of the burden being carried by parents in bearing children. The state and every citizen benefit from their contribution and have an economic and social interest in ensuring the best possible outcomes of the work of parenting. It is unfair for the single and childless to benefit but not to contribute; it is a wise investment by the state to ensure that they do. Child benefit also redistributes resources over the life cycle and from one generation to another. It plays a considerable part in reducing inequalities in Britain.

Fertility

One reason that fertility has declined in so many countries is the high costs of having children – both direct (feeding, clothing, etc) and indirect (interrupted employment, lost earnings, promotion foregone). One way of mitigating those costs is to pay child benefit (though child benefits alone are unlikely to be effective in turning around falling fertility).¹³ This is not an argument heard in Britain, despite the fact that the British fertility rate has been below replacement level for 30 years – though it has recently

¹⁰ In South Africa there is a constitutional obligation to tackle poverty. One important measure that does this is the child support grant (CSG), paid to caregivers with children up to the age of 15. It is means-tested but 80 per cent of households are eligible. There is evidence that the CSG increases school enrolment rates from a high base by 50 per cent; reduces hunger and improves nutrition, height for age and future earnings; and increases labour participation. It is distributed very efficiently from payment points using fingerprint recognition technology. A recent review recommended that it become universal on the grounds that rich whites would not bother to claim it, and even if they did, it could be recouped through taxation. See H Barnes (2008) *Links between matriculation, poverty and the child support grant: a review of the evidence*, working paper no 7, Centre for the Analysis of South African Social Policy, University of Oxford.

¹¹ In January 2008 a Basic Income Pilot Project was introduced in the Otjivero-Omitara area of Namibia. All residents aged below 60 receive a grant of N\$100 per person per month. It is being carefully monitored. The first evaluation after six months concluded that child malnutrition had dropped, employment had increased, the local economy had grown, school attendance had improved, schools had improved as more parents pay fees, ARV services for HIV/AIDS had improved, clinic attendance had gone up, alcoholism had not gone up, younger women had taken charge of their economic affairs and been freed from transactional sex, and poverty-related crime had gone down. See www.bignam.org/Publications/BIG_Assessment_report_o8a.pdf.

¹² See also F Bennett and P Dornan (2006) *Child Benefit: Fit for the future – 60 years of support for children*. London: CPAG.

¹³ J Bradshaw and S Attar-Schwartz (2010) ‘Fertility and social policy’ in N Takayama and M Werding (eds) *Fertility and Public Policy: How to reverse the trend to declining birth rates*. Cambridge MA and London: MIT Press.

recovered slightly. But it is an important issue in many other countries, including France, despite the fact that France now has the highest fertility rate in the OECD.

Poverty

In Britain and almost all other countries children have a higher risk of poverty than the population as a whole, and in many countries including Britain they have a higher risk of poverty than pensioners (the other main dependent group). Child benefits play an important part in reducing poverty rates and poverty gaps. In Figure 1 we summarize the results of some secondary analysis undertaken using the Family Resources Survey 2007/8. If we did not have child benefit, child poverty would be 9 per cent higher than it is before housing costs and 7 per cent higher after housing costs. In fact child benefit is nearly as good as means-tested child tax credit in reducing child poverty: without child tax credit, child poverty would be 12 per cent higher than it is before housing costs and 10 per cent higher after housing costs.

Figure 1 *Child poverty rates before and after child benefit (poverty threshold is less than 60 per cent of median equivalent income).*

	<i>Child poverty rate before housing costs</i>	<i>Child poverty rate after housing costs</i>
Family net income without child benefit	31	39
Family net income with child benefit	22	32

SOURCE: Own analysis of Family Resources Survey 2007/8

Take-up

Unlike means-tested benefits and tax credits, child benefit is claimed by 98 per cent of those entitled to it.

Administration

Universal (or near-universal) child benefit schemes are much easier and cheaper to administer than means-tested alternatives. In Britain a birth certificate is the only evidence necessary. Child benefit costs one penny for every pound distributed compared to three pence for every pound for child tax credit.

Benefit to mothers

Child benefits paid to mothers or carers provide a source of income independent of the breadwinner. This is an important advantage in that it provides security where resources are not shared in the household, or where, as a result of unemployment or illness, there are no other resources available. In times of crisis in family life, such as separation, divorce, desertion or imprisonment, child benefit remains a secure and

certain income for mothers. There is also evidence that mothers are more likely to spend money on children.¹⁴ Child benefit is also the benefit which is used as a passport to pensions by protecting the national insurance contribution record of parents with caring responsibilities.

No moral hazard

Universal child benefits are paid regardless of whether parents are in employment and regardless of their income. Therefore they do not contribute to either the unemployment trap or the poverty trap. Indeed, because they are paid on top of earnings, they help to increase in-work incomes and therefore incentives to work; they help to make work pay. They also reduce the number of people with high effective marginal tax rates.

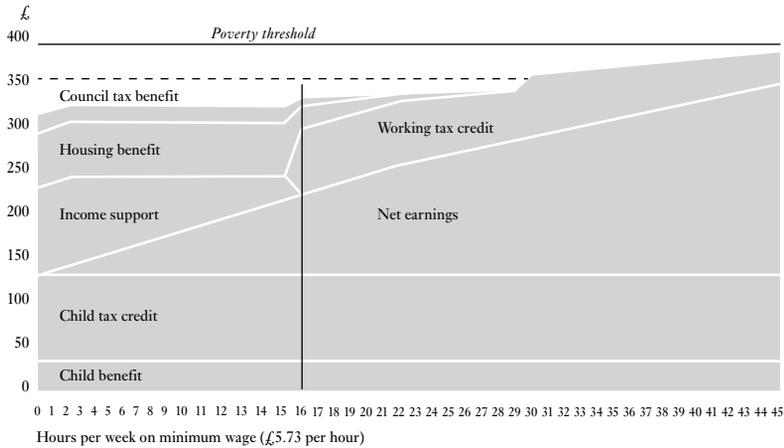
Figure 2 shows the net disposable incomes of a couple with two children with one earner working for the national minimum wage by the hours worked. Child benefit is at the bottom of the figure – a constant amount whether there are earnings or not and regardless of the hours worked. The figure shows that, even working full-time, this family cannot reach the poverty threshold of 60 per cent of median income. An increase in child benefit can help to fill that gap. It also shows how flat the distribution of net income in work is. As earnings increase, more tax and national insurance contributions are payable and means-tested benefits are reduced. This is not the case with child benefit.

¹⁴ In South African pensions, where the pensioner recipient was the *grandmother*, the health of children in the household improved. Children's health was not affected if the recipient was the grandfather. See A Case (2001) *Does Money Protect Health Status? Evidence from South African Pensions* working paper 268, Princeton: Woodrow Wilson School of Public and International Affairs, Center for Health and Wellbeing, Princeton University.

Lundberg et al undertook an analysis of how family expenditure patterns changed in the UK when child tax allowances were abolished and transferred to wives in the late 1970s. Increased spending on children's clothes coincided with these changes in income distribution within the household. S Lundberg, R Pollack and T Wales (1995) *Do Husbands and Wives Pool Their Resources? Evidence from the UK Child Benefit*, University of Washington. Available at www.chass.utoronto.ca/~siow/332/lundberg-pollak-wales.pdf.

For a review of the uses of child benefits, see J Bradshaw and C Stimson (1997) *Using Child Benefit in the Family Budget*, SPRU/The Stationery Office.

Figure 2 *Couple with two children. Net disposable income per week by hours worked by one earner on the minimum wage. Situation in April 2009. Before housing costs. Rent = £60 per week, council tax = £18 per week.*



Reply to some arguments against child benefits

Child benefits are misspent

There is a popular belief that child benefits are spent not on children, but on drink, drugs or gambling, and so if we are going to support families with children, it should be done with in-kind benefits such as food stamps. Food stamps are the only child benefit available in the USA. No doubt US ideas and policies are an important influence on the so-called Washington Consensus, the neoliberal outlook that informs the work of World Bank economists. But most rich countries have child benefits paid to parents. They trust parents to spend their money in the interests of children. No doubt they are influenced by the evidence reviewed above that that is what mothers will do.

We cannot afford universal child benefit systems

There are really two answers to this challenge. First, can we afford *not* to tackle child poverty? There is a huge long-term price paid by countries that fail to invest in the human capital of their populations.¹⁵ Poverty is associated with poor health, low educational attainment, worse outcomes in employment, family instability, crime, squalor

¹⁵ A series of studies published by the Joseph Rowntree Foundation points out the huge costs of child poverty to individuals, government and society. The exchequer costs are an estimated £12 billion per year and the costs in below-average employment and earnings levels £13 billion per year. So the total estimated cost is £25 billion, £17 billion of which would return to the exchequer were child poverty to be eradicated: 'in the long term huge amounts would be saved from not having to pick up the pieces of child poverty and associated ills' (D Hirsch (2008) *Estimating the Costs of Child Poverty: Roundup – reviewing the evidence* p. 1. York: Joseph Rowntree Foundation).

and so on. Can we afford to carry on like this? Second, how much are we actually spending on child benefits? Only 0.75 per cent of GDP.

It is much better to concentrate help on those children who need it most

Better in what sense? It costs less in benefit expenditure, though much more in administrative costs. However, means-tested benefits have a number of key defects.

- They tend to be low-value benefits because they lack the political support of universal benefits.
- They tend to be too targeted, concentrating on the very poor, whereas many more families with children are struggling financially.¹⁶
- As a result they are not much more effective in reducing poverty rates or closing poverty gaps.
- Not only is coverage poor, but they also suffer from low take-up. If only a small minority are eligible, then few realize that they are eligible. The latest HMRC analysis of the take-up of tax credits estimates that £1.9 billion in child tax credit (CTC) and £2.3 billion in working tax credit (WTC) was unclaimed in 2005/6.¹⁷ The take-up of CTC is higher for those on out-of-work benefits (91–3 per cent) or those receiving WTC (90–3 per cent) than it is for those just entitled to CTC (71–85 per cent) or just the family element (68–75 per cent).
- There are complexities in demonstrating eligibility, including the need to produce documents.
- There have been problems of end-of-year overpayments and downward ‘in-year adjustments’ of tax credits.¹⁸ Such overpayments (both in-year and between years) can be paid back by adjustments made to future tax credit payments. Repayment of tax credit debts may lead to people having a lower minimum income than the schemes outlined above would imply.
- Means tests are usually jointly assessed; with more fluid families, this now makes the resulting benefits much less stable and regular in terms of income for children, as they get disrupted each time a partnership changes.

¹⁶ In the UK not true for child tax credit but true for housing benefit, council tax benefit and working tax credit.

¹⁷ HMRC (2008) *Child Tax Credit and Working Tax Credit Take-up Rates 2005/06*. London: HMRC.

¹⁸ End-of-year overpayments occur when a claimant receives more than their annual tax credit entitlement. Downward in-year adjustments occur when claimants’ weekly tax credit payments are paid at a rate which would mean that they would be overpaid if those payments continued to the end of the year, and their ongoing tax credit payments are adjusted downwards accordingly. Until November 2006, tax credits could have in-year adjustments of up to 100 per cent applied by HMRC. This has since been changed and payments can now only have an in-year adjustment of 10 per cent applied if the claimant is receiving their maximum tax credit entitlement, or 25 per cent if they are receiving less than their maximum entitlement but more than just the family element of child tax credit. However, payments can still be reduced by 100 per cent if claimants are only entitled to the family element (which is the same as the rates at which end-of-year overpayments can be reclaimed from ongoing tax credit payments).

Making child benefit even better

Child benefit would be better if it had not been allowed to deteriorate in value by the Tories, and if the Labour government had uprated it to at least the level payable when it was first introduced.

Figure 3 summarizes the impact on child poverty of various increases in child benefits. The resources currently stored up to pay bankers' bonuses in 2009 (an estimated £10 billion) could double child benefit and reduce child poverty by 9 per cent before housing costs and 10 per cent after housing costs.

Figure 3 *Effect on child poverty rates of increasing child benefit (2007/8). Poverty threshold is less than 60 per cent of median equivalent income.*

	<i>Child poverty rate before housing cost</i>	<i>Child poverty rate after housing cost</i>
Existing child benefit	22	31
Increase child benefit by 25%	20	29
Increase child benefit by 50%	19	26
Increase child benefit by 75%	15	23
Increase child benefit by 100%	13	21

SOURCE: Own analysis of Family Resources Survey 2007/8

There are a number of other changes that could be made to child benefit. One common suggestion is that it should be taxed. The problem with this is that the income tax threshold is so low that it would be taxed back from those who really need it. An alternative would be to tax it only in the case of the better-off – those included in the forthcoming 50 per cent tax rate or those with incomes beyond the scope of child tax credits. The revenue generated by taxing child benefit at these levels of income would not be large, and there may be administrative difficulties for the HMRC. Only 16 per cent of child benefit expenditure goes to families with gross income over £60,000 per year. However, such a move might help to defuse the criticism that child benefit goes to the rich.¹⁹

At present child benefit is paid at a higher rate for the first child in the family. This is a unique characteristic of UK child benefit. There are arguments to justify it. Because most children in poverty live in small families, it achieves more poverty reduction than it would if it were paid equally. However, there is a much higher risk of child

¹⁹ The coalition has chosen a more complicated method of removing it from higher-rate taxpayers.

poverty in large families for reasons that have been explored,²⁰ and there are therefore strong arguments to gear child benefits to the third and subsequent children.

Some have argued that child benefits should also be varied by age. There is certainly evidence that older children cost more. However, I am not keen on paying higher child benefits to older children because children need more care when they are younger and families are much less likely to have two parents in employment (or one in the case of a lone parent) when their children are young. The poverty rate is thus much higher in families with younger children.

Conclusion

Child benefit remains a keystone of universality in a social security system that has grown increasingly means-tested. If it is removed, the whole universal edifice will come tumbling down. In fact, child benefit is at the heart of progressive universalism, and it serves many functions. While it helps to reduce child poverty, its greatest value is in its contribution to solidarity: through it the state recognizes the contribution that all parents make to society in rearing children. Child benefit contributes only a small proportion of these costs, but it is a welcome contribution and a secure source of cash for mothers and it undoubtedly benefits children. So hands off child benefit!

* * * *

²⁰ J Bradshaw, N Finch, M Mayhew, V-M Ritakallio and C Skinner (2006) *Child Poverty in Large Families*, Policy Press/Joseph Rowntree Foundation. Available at www.jrf.org.uk/bookshop/eBooks/9781861348777.pdf.

CHAPTER 7

* * * * *

People, places and poverty: getting away from the neighbourhood

Steve Osborn

* * * * *

NEIGHBOURHOOD REGENERATION IS not the answer to reducing disadvantage and breaking the cycle of poverty. Instead, it limits opportunities, narrows horizons and traps people in poverty. Breaking up disadvantaged neighbourhoods should therefore be a central element of a long-term strategy to eliminate poverty. Such a strategy should move away from place-based interventions towards more individualized responses, allowing poor people to live richer lives that have more in common with those of the better-off.

Has neighbourhood regeneration reduced poverty?

The lessons from more than 40 or so years of neighbourhood regeneration schemes, since the Urban Programme in the late 1960s, are not encouraging. Although there have been some successful schemes, and there is no doubt that some neighbourhoods have been physically transformed, the general picture is of disadvantaged neighbourhoods remaining disadvantaged despite repeated interventions. Baseline indicators – measures such as average household incomes, local skills levels, employment rates, and so on – have generally proved difficult to shift, as far as the host populations are concerned. Where these indicators have shown improvements, it has generally been a consequence of changing the social mix through, for example, changing the tenure patterns.

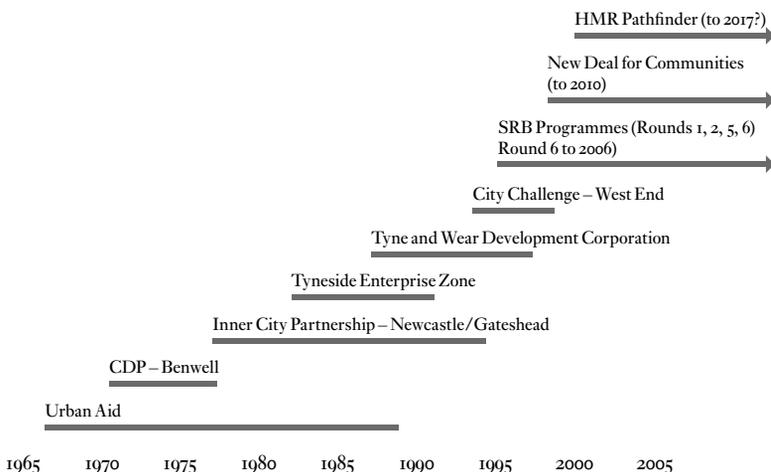
In 1994 a government-commissioned review of urban policy initiatives developed under the Action for Cities Programme and its predecessors concluded that programmes such as the Urban and Inner Cities Programmes had had an impact on physical conditions, but less so on social factors; that some local people had benefited as a result, but others not; and that this meant that the gap had tended to widen between more disadvantaged groups and the rest.¹ The report led to a reassessment of urban policy by the Labour government's Social Exclusion Unit, which in turn led to the launch of the National Strategy for Neighbourhood Renewal in 2001, with its deliberate focus on narrowing that gap.

The history of regeneration in one particular area, the West End of Newcastle, has been well documented and illustrates what has been happening nationally.² Figure 1 shows a variety of small and larger initiatives for part or all of the West End area from the late 1960s to the present day.

¹ B Robson, M Bradford, I Deas, P Hall, E K Harrison, M Parkinson, P Garside and F Robinson (1994) *Assessing the Impact of Urban Policy*. London: HMSO.

² F Robinson (2005) 'Regenerating the West End of Newcastle: what went wrong?' *Northern Economic Review*, 36. University of Newcastle upon Tyne.

Figure 1 *Chronology of the main area-based regeneration programmes in the West End of Newcastle*



SOURCE: Robinson (2005)

Robinson contends that these initiatives, despite some successes in transforming the environment and bringing new facilities to the area, have failed to tackle deprivation:

‘All the indicators seem to show that regeneration has not been successful. Population has continued to decline . . . the housing market is very weak . . . It is an area which many people have sought to leave or to avoid. Its population experiences more ill-health and has lower educational attainment than the rest of the city . . . Unemployment is . . . still around double the rate for Newcastle as a whole, and economic activity rates are relatively low.’³

Other studies have generally confirmed the view that neighbourhood regeneration schemes have had little impact on deprivation. For example, Lupton and Power conclude that, while the evidence base is generally poor:

‘Specifically, we have no information about whether there are more poor neighbourhoods than previously, or fewer, and whether their populations are dwindling or growing, and we have no monitoring data covering a consistent basket of indicators for particular types of neighbourhoods over time.’⁴

Such evidence as there is seems to suggest that:

³ Ibid p 11.

⁴ R Lupton and A Power (2004) *What We Know About Neighbourhood Change: A literature review*, p 5. Centre for Analysis of Social Exclusion, LSE.

‘There remain very substantial differences between the poorest areas and others. For example, the gap between the employment rates of the 30 worst areas and the national rate was still 11.5 percentage points in 2003 . . . and there is some evidence of a widening gap between poor neighbourhoods and others.’⁵

The New Deal for Communities (NDC) programme, launched in 2001, has been, and continues to be, extensively evaluated. NDCs have tended to focus on place-based initiatives rather than people-based initiatives, partly because people-based outcomes (worklessness, education and health) take longer to achieve and because they appear to benefit fewer people. Place-based outcomes, by their very nature, potentially affect all residents living in an area. However, evaluations to date have shown very limited impact on people-based indicators, a finding attributed in part to the nature of migration into and out of the NDC areas. The 2008 report from the Department for Communities and Local Government, which synthesized programme-wide evidence, states that ‘economically and socially mobile populations may choose to move to other areas, resulting in a static or higher level of deprivation as the individuals who remain or move into the area are often hardest to help . . . these processes may make it increasingly difficult to achieve people-based outcomes in themes such as education and worklessness’.⁶

The national evaluation of another flagship programme, Sure Start, found little or no evidence that its targets had been met, in respect of the most disadvantaged groups. Indeed, there was evidence of adverse outcomes for three-year-olds born to teenage mothers or living in workless households: verbal ability was lower and the children of teenage mothers showed more behavioural problems and poorer social functioning than those living in non-Sure Start areas.⁷

The perceived failure of neighbourhood regeneration schemes to tackle disadvantage has generally led people to advocate doing ‘more of the same’ but doing it better – committing more resources for longer, designing better theories of neighbourhood change,⁸ doing a better job of tenure mixing,⁹ and so on.

Anne Power has shown how neighbourhoods can be made to work better, through effective neighbourhood management and resident involvement, and there have undoubtedly been some successes, although tackling disadvantage has often

⁵ Ibid.

⁶ Department for Communities and Local Government (2008) *New Deal for Communities: A synthesis of new programme-wide evidence: 2006–07*.

⁷ See J Griggs, A Whitworth, R Walker, D McLenna and M Noble (2008) *Person or place-based policies to tackle disadvantage? Not knowing what works*. Joseph Rowntree Foundation.

⁸ See D Tissier (2008) *Towards a New Theory (and Practice) of Neighbourhood Renewal*. CSR Insights.

⁹ J Gregory (2009) *In the Mix: Narrowing the gap between public and private housing*, Fabian Policy Report 62.

proved intractable.¹⁰ More recently, she has been advocating a more incremental approach to regeneration, favouring renovation over large-scale demolition, encouraging better-off families to stay or move into areas alongside poorer families,¹¹ and arguing for greater densification of housing to create the necessary market conditions for businesses, shops and other local services to be established and sustained.¹²

But do the prescriptions of Power and others, while relevant to better-functioning neighbourhoods, have anything to say about tackling poverty in those neighbourhoods? Power, for example, in a think-piece on ending child poverty for the Department of Work and Pensions, advocates a wide range of neighbourhood measures including creating supervised children-friendly spaces, free or cheap after-school activities, affordable low-energy homes, safer streets, coordinated neighbourhood management, improved relations between ethnic groups, greener environments, and organized activities for families and children.¹³ It is difficult to argue against any of these measures, but do they really add up to a child poverty reduction programme for neighbourhoods? At first sight, none of these measures affects the income of a child.

There is a common assumption that the neighbourhood is an important level at which to address poverty and disadvantage. But is this true?

Can neighbourhood regeneration tackle poverty?

Neighbourhood regeneration schemes have a number of things working against them in their efforts to tackle poverty.

Image

This is a key factor which potentially undermines the attempt of regeneration schemes to tackle disadvantage. The negative images of many regeneration areas tend to be long-standing and entrenched. Efforts to change perceptions of an area, through physical changes, name changes and positive publicity campaigns, do not appear to be particularly effective, and the very fact of being designated a target area for regeneration

¹⁰ See, for example, A Power (1995) *Progress and polarisation on twenty council estates*, Joseph Rowntree Foundation. This study of 20 estate improvement programmes 15 years on, and the further study after 25 years (R Tunstall and A Coulter (2006) *Twenty-five years on twenty estates: Turning the tide?* Joseph Rowntree Foundation) found that the levels of disadvantage on the estates had fallen, but that this was partly as a result of population changes, with poorer people moving away; that levels of disadvantage remained relatively high; and that the lives of individual poor people were unlikely to have improved.

¹¹ A Power (2008) 'Think-piece on ensuring communities are safe, sustainable places where families can thrive' in *Ending Child Poverty: 'Thinking 2020'*, a report from the Child Poverty Unit conference, Department of Work and Pensions.

¹² A Power, J Ploger and A Winkler (2008) *Transforming Cities Across Europe: An interim report on problems and progress*, CASE Report 49, LSE.

¹³ See note 11 above.

may merely confirm existing prejudices. Postcode prejudice has been shown to affect people's chances of getting jobs and credit, as well as affecting personal self-esteem.¹⁴

Culture

Young people growing up in the most disadvantaged neighbourhoods may treat unemployment as the norm. Studies from Britain and elsewhere have shown the potential effect of a culture of unemployment. For example, Propper et al found that: 'after taking account of the state of the local labour market, some individuals living in small neighbourhoods with very many unemployed people have lower chances of being employed. This effect is only present at extremes: in very high unemployment areas, and people with low propensity to be employed.'¹⁵

Catering for the most (vocal)

Regeneration schemes are participative, and rightly so, with community involvement at the core. There is an inevitable tendency for residents to promote initiatives which cater for the majority – hence the focus on place-based initiatives, rather than people-based ones directed towards the most disadvantaged.

Colonization

Newly developed facilities tend to be colonized by the less disadvantaged. The Sure Start programme, for example, has been criticized for less disadvantaged families 'queue-jumping' more disadvantaged ones.

Short-termism

Initiatives often do not last long enough to tackle intractable problems (or to find out whether they have been tackled). So while some success may be achieved, for example, in getting people into employment, subsequent support for maintaining people in employment may not be available. More significantly, some of the measures targeted at young children are often intended to have an impact on attainment many years later and are therefore not very attractive propositions for time-limited schemes which need to demonstrate results.

The reasons for dropping the National Strategy for Neighbourhood Renewal have not been studied, but its demise may reflect a tacit acceptance of the failure of centrally directed neighbourhood regeneration strategies to produce results for the most disadvantaged people. It is too early to assess whether the new strategy of handing the baton on to local partnerships will make any difference.

¹⁴ See, for example, R Atkinson and K Kintrea (2001) 'Disentangling area effects: evidence from deprived and non-deprived neighbourhoods', *Urban Studies* 38 (12), pp 2277–98.

¹⁵ C Propper, S Burgess, A Bolster and G Leckie (2007) 'The impact of neighbourhood on the income and mental health of British social renters', *Urban Studies* 44 (2), February 2007, pp 393–415.

Aspirations and horizons

Neighbourhood regeneration schemes assume that the neighbourhood deserves to be saved; that the neighbourhood, and the people within it, can be made to work; and that the people living there want to stay put, engage with their neighbours, and spend time in their local community centre or youth club.

The contrast between what society expects people in poor neighbourhoods to want and do and what the better-off want and do with their own lives is striking. People in poor neighbourhoods are expected to mobilize by establishing and participating in residents' organizations, to volunteer to help set up and run community-based facilities and activities (and then to use them),¹⁶ to integrate with people in their neighbourhood, and to establish a strong commitment to that neighbourhood. There are no such expectations of the better-off.

The better-off moved away from the neighbourhood some time ago, no longer tying their concept of community to location. For the better-off, community means not just the place they live, but also the sports club, friendship networks unconstrained by geography, interest groups of various kinds and, increasingly, online social networks. These are chosen communities, and their locations are not defined by the geographical boundaries of the neighbourhood.

In effect, many of the better-off have chosen the 'thin' community over the 'thick' community. The thick community is reputedly found in places like the small country village. Everybody knows everybody else and everybody else's business. People have high levels of trust in each other – they keep their back doors open, and so forth. At the centre of this thick community is often the pub and the church. In this thick community, people generally look alike, drink alike and worship alike. In contrast, the thin community is typically an urban place where people do not know their neighbours, and where they do not all look alike, drink alike or worship alike. This is a place without the same degree of social solidarity, but it allows a great deal more freedom and social diversity. For it is not always easy being different in a thick community; not easy being from a different ethnic group or growing up gay. This is why the thin community can be so liberating and appealing.¹⁷

The geographical constraints placed on the aspirations of the poor are understandable: it costs money to travel and join in. There are also psychological boundaries – a reluctance to move outside one's comfort zone. But that does not mean that social policy should accept the limitations placed on people by poverty, even if they are sometimes self-imposed.

¹⁶ This is not to denigrate community-based organizations such as tenant management organizations, which can be best placed to deliver effective local services.

¹⁷ Thanks to the Rev Dr Giles Fraser for conveying these thoughts to the thin community of Radio 4 (*Thought for the Day*, BBC Radio 4, 3 August 2009).

Embedding evaluation

One of the difficulties in working out a strategy for tackling poverty is the lack of evidence for what works.¹⁸

Assessing the evidence

Claims are made about the effectiveness of a variety of initiatives. The evidence put forward to substantiate those claims varies from, at one end of the spectrum, the subjective judgement of those closely involved (at the policy or practical level) to, at the other, seemingly comprehensive and exhaustive evaluations carried out by independent researchers. This can be described as the ‘everything works’ and ‘nothing works’ continuum, with those closely involved tending to the former and independent researchers, who often need a lot of convincing, to the latter. There is also the problem of evaluations that fail to support national or local policy imperatives. Such ‘inconvenient truths’ are sometimes buried in favour of more supportive evaluations.

In the light of the wide variation in evaluation methodology used to assess initiatives, and the potential politicization of evaluation, how can we draw conclusions about the efficacy of particular initiatives? It is necessary to develop a set of criteria against which to assess whether ‘evaluations’ contain sufficient information to make a judgement about the evidence presented.

Evaluation as you go

Evaluations are invariably designed retrospectively, by which time it is often difficult to come to judgements on effectiveness, as the necessary data may not have been collected. Rolling evaluation has the benefit of (a) enabling programme managers to assess whether the right data is being collected and make the necessary adjustments; and (b) allowing for changes in programme design or delivery if objectives are not being achieved. If programme managers are brave enough, they may also decide to abandon the intervention if it is not producing the desired results.

To facilitate rolling evaluation, it is necessary to have in place some form of impact database which is easy enough for non-researchers to use and which can produce progress reports at the touch of a button.¹⁹

Some elements of a strategy

Stigma-proofing neighbourhoods

There are strong arguments for reducing the likelihood of neighbourhoods being stigmatized by continuing with the policy of housing mix. But as James Gregory points out:

¹⁸ See, for example, J Griggs, A Whitworth, R Walker, D McLenna and M Noble (2008) *Person- or place-based policies to tackle disadvantage? Not knowing what works*. Joseph Rowntree Foundation.

¹⁹ For an example of how to design an impact database, see www.primetrics/impact.html.

‘We need to pursue housing mix with real conviction. This means integrating public housing with private housing, not just in special project “mixed communities”, but across the full range of our housing stock. Though this kind of mix is currently considered best practice in planning guidelines, it is too often only honoured in the breach.’²⁰

However, an even more radical approach may be needed, more akin to neighbourhood replacement: creating brand-new neighbourhoods with desegregated homes where it is difficult to guess tenure. The trouble with the current policy is that it is often all too clear which parts of new developments are for social renting, which for key workers or shared ownership, and which for full-blown home ownership. The ease with which much new social housing development can be recognized is frankly shocking, and if you do have trouble picking it out, there is always the Housing Corporation (now Homes and Communities Agency) self-congratulatory billboard to help you. True anonymization of residential areas probably requires total integration, such as accommodating all types of tenure groups within a single block or street (although there are obviously financial implications in making owner-occupied homes less ‘attractive’ to purchasers).

The attraction of neighbourhoods such as Bournville in Birmingham, where 40 per cent of the homes remain socially rented, is that, visually, it is not easy to distinguish between owner-occupied and socially rented homes. That is not to say that these kinds of housing scheme are guaranteed to deliver what their designers intended, as it is not always possible to insulate them from the ‘market’ or from wider social factors. Other late-19th-century schemes did not fare so well. For example, Hampstead Garden Suburb, which Henrietta Barnett intended to be a place where a variety of classes could live together as a community, was quickly monopolized by the upper-middle classes. New Earswick in York slumped into residualization for a decade following the adoption of the ‘right to buy’ in the 1980s, leading to an exodus of the better-off and an influx of buy-to-let. And the early popularity of Greenwich Millennium Village, completed in 2000, has apparently begun to wane for homeowners, both because of the shortage of family houses (as opposed to flats) to buy and poor perceptions of the local secondary school.²¹

Stigma-proofing provision

The dangers of stigmatization and labelling are best dealt with by not designating services specifically for disadvantaged people. Ironically, while Sure Start is sometimes criticized for catering for more than just the most disadvantaged, this could also be regarded as a strength. Sure Start has not had the stigma attached to it that other

²⁰ J Gregory (2009) *In the Mix: Narrowing the gap between public and private housing*, Fabian Policy Report 62, p x.

²¹ *Ibid* p 83.

programmes have suffered, such as the 1980s Intermediate Treatment Centres, which became identified as catering for (and rewarding) antisocial young people. The problem for Sure Start is that its provision is rationed – it cannot cater for everyone, and every place taken by a better-off family means one less for a disadvantaged family.

Ways of achieving stigma-proof services include:

- providing for all, not just the disadvantaged – preschools, for example, have been shown to have had a significant impact on attainment;²²
- finding ways of enabling poorer people to use facilities and services which better-off people use.

Examples of the latter might include enabling poorer people to ‘purchase’ those facilities and services (eg through voucher or pass systems), extending beyond the current voucher system for nursery provision to take in (for instance) health and leisure services; and commissioning ‘private’ providers to lay on appropriate facilities and services, rather than developing state versions of those facilities and services.²³

Thin community development

Community development needs to move away from its focus on neighbourhood integration, neighbourhood capacities and the promotion of collective neighbourhood action. Instead, it needs to take account of the new realities which may require a more personalized service for individuals, enabling them to access the world outside their neighbourhoods.

An illustration of how, when given the choice (and support), relatively disadvantaged people choose the thin community over the thick community is provided by the Clays Lane estate decanting programme in the London borough of Newham. The tenants of the estate, which was due for demolition to make way for the athletes’ village for the 2012 Olympics, were given the choice of moving together, as a community, to a newly developed site. It was reputed that the estate had a close-knit community and provided a highly supportive environment for residents, particularly for those who were poor and had physical and emotional difficulties. The most active members of the community, and the agencies involved in managing the decant process, assumed that the majority of residents would support a joint move. However, when given the choice,

²² B Knight and S Osborn (1992) *Supporting families to prevent crime*, report for the Home Office by CENTRIS and Safe Neighbourhoods Unit. The report featured a preschool on the Moulsecobm estate in Brighton which, because of limited resources, could only cater for one half of the estate. The part of the estate not catered for provided a closely matched control group. Subsequent attainment levels at primary school showed significant differences between the two groups.

²³ In Wickford in the 1980s, Basildon Council commissioned a night club to run a youth disco every Tuesday. On its first night around 500 young people turned up. The previous youth service-run disco was largely unused.

most people chose not to reproduce the Clays Lane experience and elected instead to move as individuals, or small groups of individuals.²⁴

The community development task at Clays Lane focused on ensuring that the moves to new homes satisfied people's needs, in terms of the quality of accommodation and the local environment, access to jobs and health services, maintaining key family and friendship networks, and ensuring that personal finances were in order. A follow-up survey of residents once they had moved revealed that around eight out of ten of those who expressed an opinion were satisfied with their new home and the area they had moved to.

People-based responses

Dealing with individual income uncertainties

Gregory points to the uncertainties created by the current benefit systems and its implications for moving poor people into employment. He highlights the separation of the housing benefit system, administered by the local authority, from mainstream employment services provided by the Department for Work and Pensions. This means that, while job seekers receive assistance in finding a job at their local Job Centre Plus, they do not receive advice on the implications for their housing benefit. There are two issues. First, there is a very steep withdrawal of benefit on taking on a job; and second, the benefit system is too slow to kick in again when someone loses a job. The latter is an important issue because, for many, work can be insecure and short-term.

‘Thus, the chronic instability that comes with movements in and out of work coupled with uncertainty surrounding the administration of Housing Benefit can at least appear to make complete withdrawal from the labour market the sensible option.’²⁵

Gregory advocates a new system, which he calls housing cost credit, to replace not only housing benefit but all forms of financial assistance that the state provides to meet housing need (including all the measures to assist homeowners experiencing difficulty in servicing their mortgage payments). It may be that an even more radical approach is needed – one in which the state takes on the burden of ensuring that people are not disadvantaged by taking work (eg by ‘topping up’ to significantly widen the gap between being in work and on benefits) and in which all aspects of the benefit and tax credit system are brought together in a single payment system.

²⁴ S Osborn and J Farr (2008) *Moving on from Clays Lane*, Safe Neighbourhoods Unit report for the London Development Agency.

²⁵ J Gregory (2009) *In the Mix: Narrowing the gap between public and private housing*, Fabian Policy Report 62, p 69.

The irony is that it is at the top and bottom of the income range that most complexities in terms of sorting out entitlements and liabilities lie and where professional help is most needed. For the many middle-income earners in employment, these issues are largely handled by their employers. A logical step would be to provide poor people with the sort of professional service that the well-off can afford: some form of community accountancy service²⁶ which could be offered to individuals to help them manage their financial affairs – to ensure that they obtain all their benefits and other entitlements; that they understand the (potentially disadvantageous) financial implications associated with changing their personal circumstances, such as moving from unemployment into employment or having an erratic work career; and that they are able to save where feasible and borrow where necessary on the best possible terms. An outreach element may be required – some kind of financial health visitor service – to ensure that the poorest and most disorganized individuals are reached.

This financial support service could be part of a more comprehensive support service. Paul Gregg, for example, argues that:

‘a new system of Whole Family Support services may be required to deliver personalized family support to the most needy 15 per cent of families – continuous support for the most deprived 0.2 per cent of families and periodic interaction with the less needy.’²⁷

This support system, which he says could be run from children’s centres, would help families to deal with a wide range of problems such as financial entitlements, child development needs, and health and relationship issues. He also advocates a more universal parenting support service, aligned with the Sure Start programme.

Focusing on the very young

There is abundant evidence, from the UK and elsewhere, that poverty is generationally transmitted.²⁸ Poor adults today are four times as likely to have had poor parents as the rest of the population. For example, Blanden and Gibbons investigated the persistence of poverty among two cohorts and found that poor teenagers growing up in the 1970s were twice as likely to be living in poverty in their early 30s, and – more dramatically

²⁶ Services of this kind are offered to small voluntary and community organizations but not, typically, to individuals; and where support is given to individuals, for example by social housing providers, it tends to be when people are already facing severe difficulties over rent arrears or eviction.

²⁷ P Gregg (2008) ‘Think-piece on escaping disadvantage’ in *Ending Child Poverty: ‘Thinking 2020’*, a report from the Child Poverty Unit conference, Department of Work and Pensions.

²⁸ Poverty line is here defined as 60 per cent of median family income.

– poor teenagers growing up in the 1980s were four times as likely.²⁹ These findings mirror those in other countries.³⁰

Further studies of the same cohorts also identified a number of protective factors which increased the chances of young people escaping poverty: getting on with parents, a stimulating home environment, and a father who played a supportive role in education;³¹ being female and born to a mother with some extended education;³² and being read to on a daily basis at age five and having parents very interested in child's education at age ten.³³

It is generally recognized that early intervention in children's lives is the key to improving their life chances. This is the point at which there is the best chance of breaking the cycle of deprivation. Much of the relevant research in this area has been in the field of delinquency prevention,³⁴ although there is evidence that Head Start, the large-scale family support programme in the US, has improved the life chances of significant numbers of poor families.³⁵ This is not to say that later interventions are pointless, although it may be that at later ages the primary objective shifts from prevention to containment of problems and amelioration of their effects. Reliance on early intervention as a poverty-reduction strategy requires an act of faith, as the results are unlikely to be evident for a decade or more.

²⁹ J Blanden and S Gibbons (2006) *The Persistence of Poverty Across Generations: A view from two British cohorts*, report for the Joseph Rowntree Foundation. Bristol: The Policy Press.

³⁰ See, for example, in the USA, K Musick and R Mare (2004) 'Family structure, intergenerational mobility, and the reproduction of poverty: evidence for increasing polarization?' *Demography*, 41 (4), November 2004, pp 629–48.

³¹ D Pilling (1990) *Escape from Disadvantage*. London: The Falmer Press.

³² I Schoon and S Parsons (2002) 'Competence in the face of adversity: the impact of early family environment and long-term consequences', *Children and Society*, 16 (4), pp 260–72.

³³ J Blanden (2006) *Bucking the Trend: What enables those who are disadvantaged in childhood to succeed in later life?* Department for Work and Pensions Working Paper No 31, a report of research carried out by the Department of Economics, University of Surrey, and the Centre for Economic Performance, London School of Economics, on behalf of DWP. Norwich: HMSO.

³⁴ See, for example, E Mann and A Reynolds (2006) 'Early intervention and juvenile delinquency prevention: evidence from the Chicago Longitudinal Study', *Social Work Research*, 30, September 2006. This study investigated the role of an early educational intervention and child-, family-, peer- and school-level predictors on court-reported juvenile delinquency. Data was provided from the Chicago Longitudinal Study, an ongoing investigation of the scholastic and social development of more than 1,500 low-income youths (93 per cent of whom were African American). Preschool intervention was associated with reductions in the incidence, frequency and severity of juvenile delinquency by age 18. Findings demonstrated the importance of early intervention and schooling factors in reducing delinquency and highlighted the benefits of early intervention as one mechanism for delinquency prevention.

³⁵ See, for example, J Waldfogel and E Washbrook (2008) 'Early years policy', paper prepared for Sutton Trust-Carnegie Summit: Social Mobility and Education Policy, New York, 1–3 June 2008.

Conclusions

The challenge for poverty-reduction policy is to avoid stigmatizing and labelling neighbourhoods and individuals and to enable poor people to live richer lives which have more in common with those led by the better-off. This is not done by expecting poor people to live communalized, neighbourhood-bound lives which most of the better-off have abandoned. If community-development theory is found wanting in this respect, then the logical model of interventions needs to be reviewed, with more focus on personal factors, rather than geographical ones.

What we do to tackle poverty should be influenced by evidence of what works and in which contexts. Greater attention needs to be given to embedding evaluation in programmes and preventing their politicization. We need to recognize that the traditional view of the centrality of the neighbourhood in people's lives is no longer relevant and, instead, help poor people to break free of their neighbourhood shackles. This means working at the more individual level, with the young in particular, tackling the income uncertainties which blight their lives and overcoming their exclusion from the facilities and services enjoyed by the better-off.

* * * *

CHAPTER 8

* * * * *

Race and poverty: is affirmative action the answer?

Ranjana Bell

* * * * *

IN THE UK there is a clear racial difference when it comes to poverty: the Black, Asian and Minority Ethnic (BAME) population is, in general, much poorer than the white population. There is no sign of the gap narrowing and the situation is only likely to get worse as the recent economic recession and severe government cuts continue to take their toll. Public understanding of poverty is very limited in the UK, where it is often seen in the context of the ‘deserving and undeserving poor’. If we are serious about correcting imbalances caused by centuries of exclusion and discrimination, we need to embrace affirmative action.

Poverty should have no place in a rich and economically developed country such as the UK. As Oxfam points out, 'in the fifth richest country in the world no one should live in poverty ... a Britain in which everyone has enough money to live on *is possible*'.¹ Poverty is not shared equally among communities, families or individuals, and most people have no control over the circumstances that cause them to live in poverty – in spite of a popular myth that it is somehow their own fault.²

Elimination of poverty requires the elimination of racism and racial discrimination. There have been some advances towards this goal, but there is still a long way to go before we can regard ourselves as a civilized society where everyone, irrespective of race, religion, creed or country of origin, is considered equal.

Racial disadvantage and social exclusion

The ethnic minority population is, in general, much poorer than the white population. While around one in five people in the UK (22 per cent, or 13.2 million people) has an income less than 60 per cent of the median, the rate for ethnic minorities is double that, such that two-fifths of people from ethnic minorities are in low-income families.³

Figure 1 *Ethnic groups at income thresholds below median*⁴

<i>Ethnic group of head (three-year average)</i>	<i>50%</i>	<i>60%</i>	<i>70%</i>
White	10	17	25
Mixed	13	23	32
Asian or Asian British	22	36	46
Indian	15	23	29
Pakistani and Bangladeshi	32	52	68
Black or black British	17	29	39
Black Caribbean	16	24	33
Black non-Caribbean	19	33	43
Chinese or other Ethnic group	17	25	32

¹ www.oxfam.org.uk/resources/ukpoverty/downloads/ukpp_key_facts.pdf.

² The British Social Attitudes Survey (2008) showed that 'there was a widespread belief that poverty in the UK is either inevitable or an individual's own fault and the trend of judging individuals as creators of their own poverty seems to be increasing'. Information available at www.britisocat.com.

³ Figures are taken from www.poverty.org.uk.

⁴ http://statistics.dwp.gov.uk/asd/hbai/hbai_2009/index.php?page=appendices.

Figure 1, taken from the Households Below Average Income series 2008/9, sets out the proportion of people below various income thresholds. It shows that each and every minority group listed is in a worse position than the white population.

For some groups, the contrast is especially marked. For example, while 17 per cent of white people are below 60 per cent of the median, the proportion for Pakistanis and Bangladeshis stands at 52 per cent. One estimate suggests that three-quarters (74 per cent) of Bangladeshi children in the UK grow up in poor households.⁵ Older people from Black, Asian and Minority Ethnic (BAME) communities are much more likely to live in poverty than white older people, as they face extra barriers in accessing the benefits system and are less likely to be claiming their entitlements.⁶

Part of the reason for the higher rates of poverty among ethnic minorities is lower rates of employment. According to the UK government's Ethnic Minority Advisory Group (EMAG), 'People from an ethnic minority background are less likely to find and sustain employment than their white counterparts – and this disadvantage has persisted for more than a decade.'⁷ Research published in December 2009 by the Equality and Human Rights Commission (EHRC) and the Government Equalities Office (GEO) has shown that:

'people from ethnic minorities have seen a marked increase in their rate of unemployment since the start of the recession in 2008. Members of the Caribbean and African community have seen unemployment levels rise by 6.9 per cent – from 13.2 per cent in the first quarter of 2008, to 20.1 per cent in the third quarter of 2009. This compares with a 2.8 per cent rise in white unemployment, up from 4.8 per cent to 7.6 per cent, over the same period. The trend has become more marked over the last six months, with Asian and Caribbean and African unemployment rising by 2.2 per cent and 4.4 per cent respectively, whilst white unemployment has risen by just 0.8 per cent.'⁸

The TUC Black Workers' Conference in 2009 highlighted the major impact of the recession on black workers and black communities.⁹ It concluded:

'The biggest issue facing working people in Britain today is the carnage in social and economic terms of the recession. It is virtually certain that the

⁵ Lucinda Platt (2006) *Poverty and Ethnicity in the UK*. York: Joseph Rowntree Foundation.

⁶ Help the Aged evidence to the Work and Pensions Select Committee Inquiry, DWP services to older people from BME communities 2003.

⁷ www.emetaskforce.gov.uk.

⁸ www.equalityhumanrights.com/news/2009/december/commission-and-geo-research-shows-impact-of-recession-on-equality-groups. The full report, EHRC/GEO (2009) *Monitoring update on the impact of the recession on various demographic groups*, can be downloaded at www.equalityhumanrights.com/uploaded_files/research/impact_of_the_recession.pdf.

⁹ Black is here used as a collective term to include anyone who is not 'white'.

employment/social impact will fall disproportionately on black people, especially young black people who we have fought so hard over the years to ensure equality of opportunity.⁷

What is also clear is that the gap between people of different races and ethnicities does not appear to be narrowing. Mike Brewer and colleagues have studied changes in inequality since 1968 and have tracked the position of people from different races and ethnicities since record collection began in 1994. Although the position has not got worse, it has not got better either.¹⁰

What can we do about race and poverty?

2010 was the European Year for Combating Poverty and Social Exclusion. The Commission for Employment, Social Affairs and Equal Opportunities set some challenges to take us one step closer to eradicating poverty. They said that we should commit ourselves to doing the following:

- encourage involvement and political commitment from each and every segment of society to participate in the fight against poverty and social exclusion, from the European to the local level, whether public or private;
- inspire each and every European citizen to participate in the fight against poverty and social exclusion;
- give voice to the concerns and needs of people experiencing poverty and social exclusion;
- engage with civil society and non-governmental organizations that fight poverty and social exclusion;
- help deconstruct stereotypes and stigmas attached to poverty and social exclusion;
- promote a society that sustains and develops quality of life, social well-being and equal opportunities for all;
- boost solidarity between generations and ensure sustainable development.

Is affirmative action the answer?

The gap between the haves and the have-nots will not be reduced unless we take radical action. The necessary course, in my view, is affirmative action, which I see as the only means of forcing progress and producing a truly level playing field.

¹⁰ Mike Brewer, Alastair Muriel and Liam Wren-Lewi (2009) *Accounting for changes in inequality since 1968: decomposition analyses for Great Britain*, Institute of Fiscal Studies. See www.ifs.org.uk/publications/4699.

Affirmative action is a policy designed to redress the imbalances caused by long-standing discrimination. According to the Stanford Dictionary of Philosophy, affirmative action involves ‘positive steps taken to increase the representation of women and minorities in areas of employment, education, and business from which they have been historically excluded’.¹¹

In eradicating poverty, affirmative action will move towards ensuring that people’s basic human needs are met. Among these are things we take for granted, such as having clean water, enough food to live on, access to healthcare, clothes to wear and somewhere to sleep. If these basic human needs are provided, people will then be in a position to benefit from education and opportunities to work. This in turn should ensure that they can afford decent housing and a quality of life to which they are entitled.

In March 1961 President J F Kennedy became the first to establish the principles of affirmative action in the USA. He signed an executive order whose object was to end discrimination in federal contracting:

‘The Contractor will take affirmative action, to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color or national origin.’¹²

Affirmative action legislation has changed over the decades and has been both praised and attacked. Challenging its critics, President Lyndon B Johnson reaffirmed its principles in the course of giving the 1965 commencement address at Harvard University:

‘You do not take a person who for years has been hobbled by chains and liberate him, bring him up to the starting line of a race and then say, “you’re free to compete with all the others,” and still justly believe that you have been completely fair. Thus it is not enough just to open the gates of opportunity. All our citizens must have the ability to walk through those gates.’

Affirmative action has always been seen as a temporary measure. The idea is that, once the playing field has been levelled and people are competing on an equal basis, there will be no need for affirmative action programmes. Although many such programmes have now ceased, supporters and critics still argue about whether they are necessary and worthwhile.

In November 1993 Stanley Fish wrote a compelling article in support of affirmative action. ‘To argue,’ he wrote, ‘that affirmative action, which gives preferential treatment to disadvantaged minorities as part of a plan to achieve social equality, is no

¹¹ Robert Fullinwider, ‘Affirmative action’, Stanford Encyclopedia of Philosophy. See <http://plato.stanford.edu/entries/affirmative-action>.

¹² Executive Order 10925, March 1961, establishing the President’s Committee on Equal Employment Opportunity. The act did not mandate quotas, only discrimination-free employment practices.

different from the policies that created the disadvantages in the first place is a travesty of reasoning.¹³

Like Fish, I argue in favour of affirmative action because I believe that:

- it will be a big step towards eradicating centuries of discrimination by removing the barriers that currently prevent people from accessing their basic human rights;
- it will take people to an equal starting point in life;
- it will allow people's skills and abilities to be recognized and valued, and so lead to diversity in employment;
- it will challenge negative stereotypes that lead to discrimination and social exclusion.

It has always struck me that those who argue so vehemently against any form of action to redress the balance in society or to remove the barriers that cause social exclusion are usually those who are fortunate enough to have a decent home and access to education and a job. They are part of the haves and seem unable to understand that the have-nots have not chosen to be excluded or to live in poverty. A similar argument is made against the idea that people with disabilities should be guaranteed interviews for jobs if they are able to meet the essential requirements. This is just one small way to remove centuries of exclusion for people who are competent, skilled and able to work, and yet who find themselves excluded for no other reason than people's prejudices about what people with disabilities can or cannot do.

In the UK we often confuse affirmative action with the notion of 'positive discrimination'. Positive discrimination is portrayed as something that is unjust and gives privileges to those who do not deserve them: for example, when people get jobs they are not qualified to do, or people are able to jump the queue 'just because' they come from a particular group. The concept of positive action is more akin to affirmative action in that it recognizes the consequences of social exclusion and attempts to redress centuries of discrimination. Like affirmative action, it is a way to bring people to an equal starting point.

We should learn from the positive impact of affirmative action in the USA, as revealed in a 1995 study by Murrell and Jones.¹⁴ They found that affirmative action had increased the representation of women and minorities across all levels of employment in the US and within organizations that had once been exclusively male. They also

¹³ Stanley Fish (1993) 'How the pot got to call the kettle black (pro-affirmative action)', *Atlantic Monthly*, November 1993.

¹⁴ A J Murrell and R Jones *The paradox of affirmative action: examining its impact and future for women and minorities in employment*. Manuscript submitted for publication. Reported in Faye Crosby, Audrey Murrell, John Dovidio, Rupert Nacoste, Anthony Pratkanis, Janet Helms 'Affirmative action: who benefits?', a briefing paper of the American Psychological Association, Society for the Psychological Study of Social Issues, Society for the Psychological Study of Ethnic Minority Issues.

found that it resulted in higher employment participation rates, increased earnings, and gains in educational attainment for women and minorities. Affirmative action in employment in the USA has shown that gaining employment is the first step towards economic independence. It is one part of the solution.

The evidence is clear: the impact of social exclusion can only lead to a cycle of deprivation. If we are serious about change, then affirmative action offers a way to redress centuries of exclusion and discrimination experienced by millions, be they black or white, living in the UK.

* * * *

CHAPTER 9

* * * * *

Gender inequality and women's poverty

*Sue Robson and
Marian McGuinness*

* * * * *

THE NATURE OF gender inequality, both in the UK and globally, has a particularly damaging impact on women and contributes to the problem of child poverty. The policies of successive governments have not only failed to address the underlying issues but have often made them worse. Part of the solution lies in proper investment in the women's sector and rigorous enforcement of existing laws. However, the corrosive power of global capitalism demands more radical responses and complete eradication of gender inequality and the poverty it causes depends on a renaissance of the women's movement.

This chapter compares contemporary poverty and inequality with that in the early 20th century, focusing on women and gender. We show that, while the five key principles of the Minority Report continue to have relevance in the 21st century, the power of global capitalism means that more radical solutions are now required.

The chapter analyses the structuring of gender inequality by British, European and global economic policies and outlines how this has a disproportionate impact upon women's socio-economic and political position and contributes to child poverty in the UK. The chapter looks towards a renaissance of the women's movement as part of the solution to poverty and inequality, and considers some alternative socio-economic models that are organized and led by women. Finally, it calls for investment in the women's sector to alleviate the impact of women's poverty and to lobby for changes in how policy is determined and for the enforcement of existing laws and agreements designed to eliminate gender inequality.

Poverty then and now

Poverty in Britain in the early 21st century parallels poverty in the early 20th century in several ways. There are similarities in the levels of poverty and indications of its disproportionate effect upon women. Explanations of poverty remain rooted in pathological deficit models, and the way that poverty is measured is still gender-neutral.

The 1901 census reveals that, although at most ages there were more male than female workhouse inmates, at ages 15 to 35 female inmates outnumbered males. Male pauper inmates tended to be from manual occupations and included labourers, shoemakers, painters and carpenters, whereas female pauper inmates tended to be domestic indoor servants, charwomen and washerwomen. Whereas only 15 per cent of males stated no occupation, 41 per cent of women pauper inmates over 10 years of age were returned without specified occupation. At ages above 45 years the number of married men was more than double the number of married women. This is thought to be because:

'if the wife be ill, she can be supported at home; whereas, if the husband be ill, he must go into the Workhouse for treatment, his wife meanwhile doing such work as she can, to assist in supporting herself and her children.'¹

In the early 21st century, women, particularly those with children, lone parents, older women and black women, remain disproportionately affected by poverty. In 2008 15,000 households in England were accepted as homeless and half were lone-parent households. Of these, 46 per cent were headed by a female and only 4 per cent by a male.² The

¹ www.visionofbritain.org.uk/text/chap_page.jsp?t_id=SRC_P&c_id=11&cpub_id=EW1901GEN&show=DB.

² Office of National Statistics; www.statistics.gov.uk/cci/nugget.asp?id=433.

proportions are almost identical for those housed in temporary accommodation. In 2004 almost 1.3 million older women lived below the poverty line and suffered significant financial disadvantage. Their average income in retirement was 57 per cent of that received by men of the same age. In 2007 the income of retired women was less than 40 per cent of that of retired men.³ Around 30 per cent of recently retired women are entitled to a full basic state pension, compared to around 85 per cent of men.⁴

In 2009 a government report showing the impact of the economic recession upon different groups concentrates solely on labour-market activity to suggest that the recession is having a more negative impact upon men.⁵ However, a number of factors have been shown to make women *less* likely to withstand the impact of the recession:

‘Women are more likely to live in poverty, especially in old age, have fewer financial assets, more likely to manage a household budget and act as shock absorbers when this changes, are more likely to experience violence, and as mothers and carers will need to make a complex set of decisions about their family and work life . . .’⁶

The measurement of poverty in the early 19th century used indicators that in the main were income-related and associated with the ‘head of the household’, which was defined then as a man, and concentrated on working-class families.⁷ The same crude measurements are used 100 years later and women’s real experience of poverty is obscured from analyses based upon household units.

Women now are in the lowest earning category and have greater responsibility for household income, in handling which they tend to prioritize their family’s needs over their own.⁸ In 1997 it was estimated that 44 per cent of men had personal spending money compared with 28 per cent of women and that women often cut back on their own needs to protect their families, husbands and children from the effects of poverty.⁹ If poverty were measured on the basis of individual income, 52 per cent of women would be under the income-support level compared with 11 per cent of men.¹⁰

³ Gender Equality Index (Equal Opportunities Commission) 2007.

⁴ *The Gender Impact of Pension Reform*, Department of Work and Pensions; www.dwp.gov.uk/docs/genderimpactassessment.pdf.

⁵ Government Equalities Office and Equality and Human Rights Commission (December 2009) *Monitoring update on the impact of the recession on various demographic groups*.

⁶ K Rake (2009) *Are women bearing the burden of the recession?* (research by Abigail Rotheroe). Fawcett Society.

⁷ I Gazely and A Newall (2007) *Poverty in Britain: An early social survey rediscovered*. University of Sussex.

⁸ N May (1997) *Challenging Assumptions: Gender issues in urban regeneration*, York: Joseph Rowntree Foundation; J Pahl (1989) *Money and Marriage*, Basingstoke: Macmillan Education Limited.

⁹ N May (1997).

¹⁰ Women’s Resource Centre (2007) *Uncovering Women’s Inequality in the UK: Statistics*. Women’s Resource Centre.

A hundred years ago, the Minority Report criticized the policy of not offering ‘outdoor relief’ to non-able bodied people in families, with the only alternative offered being the workhouse. This was perceived to disadvantage women and children.

‘Such a policy, moreover, by deterring the poor from applying for relief, leads, in far too many cases, to semi-starvation and physical and mental degeneration, from which the women and children especially suffer, and, in a small number of cases, even death from want and exposure.’¹¹

The report also saw a ‘grave defect’ in the unconditional character of the grant of outdoor relief, because an assessment was seldom made of how the ‘household is actually being maintained’. Again, the concern was the impact upon individuals within the household:

‘in the course of a year probably as many as 600,000 different children are today . . . chronically underfed, insufficiently clothed, badly housed . . .’¹²

In 2009 a report for Oxfam’s UK Poverty Programme levelled similar criticism at current government policy for measuring poverty on a household basis, thereby obscuring women’s experiences and leading to policies that fail to tackle the impact of poverty upon them:

‘In UK policy, gender is often implicit rather than explicit . . . the section on gender in the most recent National Action Plan was more a statement of general policy on gender inequalities than a gender analysis and action plan related to poverty and social exclusion.’¹³

What has changed in Britain in the last 100 years is the legislative framework for gender equality. When the Minority Report was written, women did not have the vote. Indeed, in 1889 Beatrice Webb’s name was attached to a manifesto against Votes for Women.¹⁴ It is now almost 90 years since women got the vote, nearly 40 years on from the introduction of anti-discrimination legislation.¹⁵ Yet since the Gender Equality Duty came into force in 2007 to eradicate persistent gender inequality, the trend that is emerging in women in positions of authority and influence is one of reversal or stalled progress. In

¹¹ HMSO (1909) *Report on the Commission on the Poor Laws and Relief of Distress, being the Minority Report* Recommendation 7, p 575.

¹² *Ibid*, Recommendation 10, p 577.

¹³ F Bennett (2009) *Gender and Social Inclusion*, for GenderWorks project, UK Poverty Programme, Oxfam GB.

¹⁴ M Cole (1945) *Beatrice Webb*. London, New York, Toronto: Longman Green & Co.

¹⁵ That is, the Equal Pay Act (1970) and the Sex Discrimination Act (1975).

2008, in 12 of the 25 categories for which figures are available, there were actually fewer women holding top posts.¹⁶

Core principles

The Minority Report identified five core principles that needed to be taken into consideration if poverty was to be eliminated. The principles were that poverty had structural causes; there should be poverty prevention rather than simply relief; there should be a curative rather than deterrent system; tackling poverty should be the responsibility of the state; and there should be universal, not segregated, services.

Do these principles still hold true today? The following sections apply the principles of the Minority Report to the contemporary economic and social context.¹⁷

Poverty has structural causes

The Minority Report attributes poverty partly to the organization of the economy and society – for example, to ‘fluctuations in demand for labour, or in factors beyond an individual’s control, such as ageing, illness, or a lack of nurture and education in infancy’.¹⁸ The report goes some way in recognizing that some groups, such as women and children, are disproportionately and differently affected by poverty. However, there is no suggestion that constructs such as gender, race and class may be of benefit to an economic structure that relies upon surplus labour and profit.

One hundred years on from the Minority Report – and despite the introduction of equality legislation – gender segregation persists in the labour market and in family and social life, while government policy both obscures and reproduces gender inequality.

LABOUR-MARKET SEGREGATION

The 1901 census recorded women employed as lawyers’ clerks, physicians, dentists or dental assistants, teachers, authors, journalists and shorthand writers. However, the vast majority – nearly 80 per cent – were in domestic and other services or in manufacture (usually connected to textiles). Most women who worked – 40.5 per cent of the adult female working population – were employed as domestic servants.¹⁹

¹⁶ EOC (2008) *Sex and Power: Who runs Britain?* Available at www.equalityhumanrights.com/uploaded_files/sex_and_power_2008_word.doc.

¹⁷ The main subheadings in this section (in italics) are borrowed from T Horton (2009) *A Brief Guide to the Minority Report*, London: The Fabian Society; www.fabians.org.uk/publications/extracts/brief-guide-horton.

¹⁸ T Horton (2009).

¹⁹ www.nationalarchives.gov.uk/pathways/census/living/making/women.htm.

Research in 2009 found that fewer women than men study or work in the science, engineering and technology (SET) sectors.²⁰ Men are ten times more likely than women to be employed in skilled trades (19 per cent compared with 2 per cent) and are also more likely to be managers and senior officials. Men are more likely to obtain vocational qualifications in construction, planning and the built environment (with almost 100 per cent going to men), or engineering and manufacturing technologies (89 per cent of all awards). Women, by contrast, are more likely to obtain health, public services and care-related vocational qualifications (around 86 per cent of all awards).²¹ A fifth of women in employment do administrative or secretarial work compared with 4 per cent of men.²² The childcare sector, which is overwhelmingly female, is the worst-paid occupation in the UK.²³

THE PAY GAP

In 2006 it was reported that the gender pay gap in the UK was one of the highest in Europe. Women who work full-time earn 17 per cent less per hour than men, and women working part-time earn 39 per cent less per hour than men working full-time.²⁴ The Labour government claimed that the gender pay gap had fallen in the ten years up to 2007, from 17.4 per cent to 12.6 per cent.²⁵ However, in 2010 the part-time pay gap is around 35 per cent, and in skilled trades the gap ranges from 31.4 per cent to 26.0 per cent.²⁶ In some parts of the UK the pay gap is far wider than the national average. In 2007 in Tees Valley the gap was recorded at 35 per cent, and an even higher pay gap (40.69 per cent) was found in Wansbeck.²⁷ Despite an increase in female activity rates (compared to male rates) in the north-east of England, Gross Value Added (GVA) per head of population is declining.²⁸ This suggests that women's low pay and the gendered construction of the labour market are intrinsic to the overall failure of the north-east economy.

²⁰ National Skills Forum (2009) *Closing the Gender Skills Gap: a National Skills Forum report on women, skills and productivity*.

²¹ Office for National Statistics; www.statistics.gov.uk/cci/nugget.asp?id=1892.

²² Office for National Statistics; www.statistics.gov.uk/cci/nugget.asp?id=1654.

²³ For example, nursery workers in private nurseries earned, on average, £8,000 per year in 2005.

²⁴ Fawcett Society (2006) *Poverty Pathways: Ethnic minority women's livelihoods*, Zohra Moosa with Jessica Woodroffe, Oxfam and the Fawcett Society, June 2009. Available at www.fawcettsociety.org.uk/index.asp?PageID=968.

²⁵ Department of Work and Pensions (2008) *UK National Report on Strategies for Social Protection and Social Inclusion 2008–2010*. Available at www.dwp.gov.uk/publications/policy-publications/uk-national-report/archive.

²⁶ Office of National Statistics, 2010.

²⁷ Office for National Statistics (2007) *Annual Survey of Hours and Earnings – residence analysis*.

²⁸ Tees Valley JSU Information and Forecasting Group (2007).

THE FAMILY AND CARING ROLES

There is a presumption in economic policy that women's primary role is as carer within the family, whereas studies show that women often have dual responsibilities as prime carer and manager of the home as well as main wage-earner in the family.²⁹ When the UK government published its *National Action Plan for Social Inclusion* in 2003, its concern with women's poverty related entirely to their caring role. The section on gender opens with a paragraph linking 'gender poverty' to child poverty and goes on to discuss family break-up, female single-parent households, and women's limited earning power in relation to child poverty. Family break-up is seen as reinforcing child poverty, with female-headed lone-parent households being at high risk of poverty. The demise of nuclear family structures and women's 'limited careers or earning power to support children' are seen as factors contributing to child poverty.³⁰ A two-page section on gender highlights the differences between men's and women's experiences of poverty, stating unequivocally and uncritically that women bear the brunt of responsibility for childcare. In 2001 70 per cent of divorces were granted to women, and in 2002 women accounted for nine out of every ten lone parents.³¹ Why women should be rejecting nuclear family structures and why this should propel them into poverty does not seem to be subject to questioning.

IMPACT OF ECONOMIC RECESSION

Economic recession has a disproportionate effect on women compared to men and tends to lead to an increase in what is considered 'women's [low paid] work' and a decrease in traditional 'male' occupations. In the 1990s recession the impact was to decrease women's unemployment by 9 per cent and increase men's by the same figure. During the same period there was a levelling-off of the increase in women's pay as a proportion of men's (at around 78 per cent), whereas between 1988 and 1992 there had been an increase of 4 per cent.³² In 2009 it was reported that slightly fewer women than men had lost their jobs as a result of the recession. However, a key reason cited is that far more women work in the public sector in the areas of education, health and public administration (around 40 per cent of women compared to 15 per cent of men). Regions where there is highest male unemployment have more women in public sector occupations, suggesting that they will be particularly vulnerable to public spending cuts.³³ The Labour government attributed joblessness in low-skilled men to structural changes in the labour market since the 1970s, drawing a parallel between joblessness

²⁹ N May (1997) *Challenging Assumptions: Gender issues in urban regeneration*. York: Joseph Rowntree Foundation.

³⁰ Department of Work and Pensions (2003) *UK National Action Plan for Social Inclusion* p 9. London: HMSO.

³¹ www.statistics.gov.uk.

³² www.statistics.gov.uk.

³³ TUC (2010) *Recession Report* no 16, March 2010; www.tuc.org.uk/economy/tuc-17694-fo.pdf.

in working-age men and women's rising employment.³⁴ Women's increased economic activity is cited alongside the problem of men's joblessness, yet the impact of the feminization of the labour force upon gender equality has not been subject to analysis in government policy.

GENDER MAINSTREAMING

The most concerted effort to address gender inequality in economic policy is 'gender mainstreaming', which emanates from the European Commission and describes the process of ensuring that gender is considered as a variable in the outcomes of all regeneration policies across Europe. The Gender Equality Duty introduced in April 2007 requires public-sector bodies to proactively promote gender equality of opportunity. Carers of adults and parents of young or disabled children now have the right to request flexible working. Explicit in European policy rhetoric is an interest in reconciling domestic and professional life in such a way that domestic responsibilities for men and women are shared equally. However, this conceals an implicit agenda to improve efficiency and effectiveness through female participation in the labour market and to reduce welfare spending.³⁵

Poverty prevention, rather than simply relief

The Minority Report calls for differentiated services to deal with the particular causes of destitution and the particular needs of the individual. The report proposed that, rather than treat people for being poor at the point of destitution, the causes of their becoming destitute should be tackled on a needs basis.³⁶ However, the report has a tendency to attribute poverty to individuals rather than looking for deeper structural causes.

When poverty was 'rediscovered' in Britain and abroad during the 1960s, the American 'War on Poverty' sought to eradicate it through a combination of 'self-help and institutional efficiency'.³⁷ Under this influence, the British government launched the community development projects (CDPs) in 1968. Inherent in the CDPs was a social pathology model attributing poverty to the behaviours and attitudes of individuals and

³⁴ Department of Work and Pensions (2003) *UK National Action Plan for Social Inclusion*. London: HMSO.

³⁵ M Braithwaite (2000) 'Mainstreaming gender in the European structural funds', paper prepared for the Mainstreaming Gender in European Public Policy Workshop, University of Wisconsin-Madison, 14–15 October 2000.

³⁶ T Horton (2009) *A Brief Guide to the Minority Report*. London: The Fabian Society.

³⁷ M Shaw (2004) *Community Work: Policy, politics and practice* p 20. Universities of Hull and Edinburgh.

families living in particular areas that had been identified as deprived.³⁸ In the government's 1960s analysis, social deprivation is described as being 'akin to an inherited disease passed on from one generation to another'.³⁹

The major social and political upheavals of 1968 and concern about the impact of industrialization upon society promoted a search for more adequate explanations of social and economic changes. Rereading of Marxism emerged as a growing force in this.⁴⁰ Academics and community development practitioners involved in the CDPs developed a structural analysis of poverty which was subsequently rejected by both Labour and Conservative governments.⁴¹ The official consensus from governments remained that individuals and families needed to change, rather than society. Successive governments have never revisited a structural analysis of poverty.

In the early 21st century, poverty and deprivation are perceived as a 'complex and multidimensional problem'.⁴² In the so-called 'indices of multiple deprivation' statistics on income, employment, health, education, housing and access to services are compiled at a ward level, the smallest unit of measurement being the household. Problems faced by the 'socially excluded' are reduced to a technical exercise to determine how each index of deprivation relates to another. Gender inequality is shown to be of little or no importance in strategies to tackle social exclusion.⁴³

Curative rather than a deterrent system

The Poor Law's analysis of poverty was that it represented a failure of individual character. According to the Minority Report, the Poor Law had failed to tackle the problem, and this was partly attributed to the principle of 'less eligibility' which militated against specific interventions to promote independence. The answer to relieving poverty lay not

³⁸ This is reported in many accounts of the CDPs, eg J Hanmer and H Rose (1980) 'Making sense of theory' in P Henderson et al (eds) *The Boundaries of Change in Community Work* pp 69–90, London: Allen and Unwin; L Dominelli (1995) 'Community: Feminist principles and organising in community work' *Community Development Journal* vol 2, April 1995, pp 133–43, Oxford: Oxford University Press; J Green (1992) 'The Community Development Project revisited' in P Carter et al (eds) *Changing Social Work and Welfare* pp 159–78, Buckingham: Open University Press; J Green and A Chapman (1992) 'The British Community Development Project: Lessons for today' *Community Development Journal* vol 27 pp 242–58, Oxford: Oxford University Press; M Taylor (1995) *Unleashing the Potential: Bringing residents to the centre of regeneration*, York: Joseph Rowntree Foundation.

³⁹ J Green (1992) p 165.

⁴⁰ J Hanmer and H Rose (1980) pp 69–90.

⁴¹ J Green (1992); B Knight (1993) *Voluntary Action*, London: CENTRIS.

⁴² Department of Work and Pensions (2003) *UK National Action Plan for Social Inclusion* p 13. London: HMSO.

⁴³ See M Riseborough (1998) 'Regeneration and the curious tale of gender blindness' *International Journal of Public Sector Management* vol 11, no 1, pp 611–21, Bradford: MCB University Press; S Brownhill and J Darke (1998) *Rich Mix: Inclusive strategies for race and gender in urban regeneration* Joseph Rowntree Foundation Area Regeneration series, Bristol: The Policy Press; N May (1997) *Challenging Assumptions: Gender issues in urban regeneration*, York: Joseph Rowntree Foundation; R Alsop, S Clisby and G Craig (2001) *Young, Urban and Female: Young women and city regeneration*, Oxford: YWCA Publications.

in curing the poor but curing the system. Yet in the 21st century the state continues to look towards the poor themselves to explain the problem.

In parallel with perceptions of the ‘feckless’ poor in the workhouse, in contemporary government policy ‘bad’ mothers and single parents are perceived as contributory factors to poverty and social malaise. Women’s role in areas of deprivation is problematized on the basis of their deviation from the nuclear family. In 2003 the *National Action Plan for Social Inclusion* cited the ‘intergenerational transmission of poverty’ as a key challenge within the plan:

‘The key risks highlighted here – which can be mutually reinforcing – are joblessness, particularly when concentrated in particular households; the inter-generational transmission of poverty; living with persistent low income; and living in a deprived area.’⁴⁴

The root causes lie in particular households, with teenage single parents being particularly responsible for transmitting poverty:

‘Teenage pregnancy can exacerbate these risks further. In some cases, circumstances can lead to an increase in risk-taking behaviours damaging to health, such as substance misuse. This all leads to poor prospects in adulthood with the potential to transmit poor outcomes to their own children.’⁴⁵

This moral panic about teenage lone parents seems to be unfounded. Gingerbread reports that only 2 per cent of all 1.9 million lone parents in the UK are teenagers.⁴⁶ The government seems intent on punitive measures against those who are not for any reason bringing up their children within nuclear family structures. The Labour government’s Welfare Reform Bill (2007) ruled that single parents with children as young as three should take part in a work-related activity.⁴⁷ Although a clause was prepared in 2009 to raise the age of the child to five, the majority of MPs voted against it.⁴⁸ Single parents have to attend work-focused interviews if they remain on benefits for more than two years.⁴⁹ The threat is that lone parents who fail to comply with these directions will have their benefits cut. A gender impact assessment of the government’s Comprehensive Spending Review (October 2010) highlights that the review will have a disproportionate

⁴⁴ Department of Work and Pensions (2003) *UK National Action Plan for Social Inclusion* p 13. London: HMSO.

⁴⁵ *Ibid* p 14.

⁴⁶ www.gingerbread.org.uk/content/365/Gingerbread-Factfile.

⁴⁷ www.publications.parliament.uk/pa/cm200506/cmbills/208/2006208.htm.

⁴⁸ Welfare Reform Bill – Financial penalties should not apply to single parents of under-fives – rejected – 10 Nov 2009; www.publicwhip.org.uk/division.php?date=2009-11-10&number=245.

⁴⁹ A Gentleman ‘Fraught in a trap’ *Guardian* 24 June 2009. Available at www.guardian.co.uk/society/2009/jun/24/lone-parents-poverty-trap.

impact on women, in particular those who are single parents.⁵⁰ Government legislation and directives relating to single parents seem contrary to its statutory commitment to end child poverty by 2020.⁵¹

The responsibility of the state

The Minority Report called for coordinated action by public authorities to fulfil the doctrine of prevention rather than relief and contended that it was the state's duty 'to preserve certain standards below which no citizen should be allowed to fall'.⁵² The report acknowledged the benefits delivered by the voluntary sector, but it was seen as dealing much more with crisis intervention than with prevention.

The global economy and its interventions into people's daily lives are an added dimension in 21st-century society that would not have been imagined 100 years ago. In the 1970s the political consensus established after the Second World War of an economy based upon full employment and supported by a welfare state was broken.⁵³ The 1980s brought a wide-scale freeing-up of market forces, and although this coincided with raised standards of living, the gap between rich and poor widened. By the 1990s there had been a fivefold increase in economic growth, yet the gaps between rich and poor widened even further.⁵⁴ Deepening social divisions on lines of gender and race have been attributed to the monetarist policies of the British state.⁵⁵

Since the 1970s the economic agenda of successive UK governments has polarized sectors of the population by displacing those who are seen as the cause of urban problems (single parents and the unemployed). The state reproduces inequality at two levels: by colluding with an economic agenda that engenders polarization between rich and poor and by responding with socio-economic and urban policies that construct opposing social groups, thus diverting responsibility for the situation to 'the community' itself. A 'tax-welfare backlash' has resulted in an increasing unwillingness to pay taxes to support welfare for those regarded as 'scroungers'. A major barrier to building support for poor people is the perception and attitudes held by those not in poverty.⁵⁶ As the following extract demonstrates, there are debates today about the deserving and undeserving poor similar to those that raged in the days of the workhouse:

⁵⁰ *Impact on Women of the Coalition Spending Review 2010*, UK Women's Budget Group, November 2010.

⁵¹ Child Poverty Act (2010).

⁵² T Horton (2009) *A Brief Guide to the Minority Report*. London: The Fabian Society.

⁵³ B Knight (1993) *Voluntary Action*. London: Centris.

⁵⁴ W Rees (1999) 'Scale, complexity and the conundrum of sustainability' in M Kenny and J Meadowcroft (eds) *Planning Sustainability*. London: Routledge.

⁵⁵ For instance, the *Faith in the City* report (1985), written by the archbishop of Canterbury's Commission on Urban Priority Areas, criticized the government's monetarist policies as exacerbating racial conflict and accelerating industrial decline. On the process of 'gentrification' see also S Brownhill (2003) 'Gender place and renaissance', Brookes University, Department of Planning (unpublished).

⁵⁶ J Gregory (2008) 'Poverty from the workhouse to the welfare state' *History Today* vol 58, no 7, July 2008.

‘The deserving, decent poor are easily dealt with; it is the undeserving that will be the big headache for the next government. Mr Cameron should put Mr Duncan Smith in his Cabinet not just to implement the findings of his own report, but to mastermind the assault on a culture of fecklessness that an over-generous state and our failure to deal with the drugs problem have made one of the most toxic and profligate features of our society.’⁵⁷

This mirrors concerns expressed in the Minority Report that welfare should be at a level that deters people from falling into poverty. Poverty and inequality need to be understood within the context of global capitalism and the construction of employment within ideological conceptions of gender, race and class. Hegemony – the process of justifying commonsense ideas and people consenting – provides an explanation of why the associated stereotypes and constructs are perpetuated. Gramsci identifies hegemony as the way economic, political and social forms of domination are legitimated and permeate the lives and minds of individuals through the institutions of civil society.⁵⁸ Hegemony is not a system, but rather a process of constant struggle to maintain dominance that is ‘actively maintained and modified by agents of the state’.⁵⁹ Significantly, hegemony does not operate through coercion but by consent, as dominant attitudes are formalized and accepted as ‘common sense and thereby legitimised in the minds of people’.⁶⁰

‘Whereas coercion is exercised overtly through the armed forces, police, courts and prisons, consent is subtly woven through the institutions of society – the family, schools, the media, political parties, religious organisation, cultural, charitable and community groups.’⁶¹

It is thereby in the interests of a capitalist state to appropriate the charitable, voluntary and community sector for its own purposes. This could explain why successive governments have valued the voluntary and community sector’s contribution to citizenship and local governance within the narrow confines of its service-delivery objectives. Legislation in the late 1980s created a ‘contract culture’ in which voluntary organizations could tender to run public services.⁶² This trend gained momentum under the Labour government, which from 1997 intervened in the voluntary and community

⁵⁷ S Heffer ‘The undeserving poor will be David Cameron’s biggest headache’ *Daily Telegraph* 16 September 2009.

⁵⁸ M Ledwith (2005) *Community Development: A critical approach*. Bristol: The Policy Press/British Association of Social Work.

⁵⁹ *Ibid* p 120.

⁶⁰ *Ibid* p 121.

⁶¹ *Ibid* p 122.

⁶² The Education Act (1988), the Local Government (Finance) Act (1988), the Housing Act (1988), the National Health Service and Community Care Act (1990).

sector more than ever before.⁶³ The coalition government's notion of the 'big society' is extending the trend of devolving power to localities and allocating responsibility to neighbourhoods. However, this is being pursued as an alternative to public services and a means of cutting the public deficit.⁶⁴

For the Webbs, the role of the voluntary sector should be to complement the state by providing additional provision over and above what the state could manage, not to operate as an alternative to the state or to compete with public services.⁶⁵ In the postwar welfare settlement (which was influenced by the Webbs), the role of the state was to guarantee basic rights to welfare and the voluntary sector would add to this.⁶⁶

The government's service-delivery agenda has had an impact on the voluntary and community sector's sense of its own independence. While many voluntary organizations remain 'independent of mind', funding – particularly highly target-driven funding – is constraining their campaigning and influencing role, curtailing dissent and criticism of the impact of government policies.⁶⁷ There are fears that these processes could jeopardize the 'hard-won principle of the 18th century Enlightenment' – the right to develop one's own associations without interference from the state or the church, and to question the role of the state and the church:

'The principle of organised dissent is not only legitimate in society, but also extremely valuable in contributing to progress. There is a risk that a political party in government that not only wishes to be the natural party of government but also sees itself as the 'change maker' may disregard, buy off, or ride roughshod over organised dissent. In the process it would cut off the lifeblood of democracy.'⁶⁸

Women's voluntary organizations provide safe women-only spaces which are underpinned by an understanding of gender discrimination and power imbalances that may have contributed to their position.⁶⁹ The women's sector is the legacy of the women's liberation movement and feminism. It has been responsible for bringing about significant gender-equality changes in legislation, policy and public perceptions. Advocating and campaigning on behalf of the women they work with remains an important role

⁶³ B Knight (2006) *Voluntary and Community Action: The coming challenges*. Newcastle upon Tyne: CENTRIS.

⁶⁴ A Coote (2010) *Ten Big Questions about the Big Society*. London: New Economics Foundation.

⁶⁵ S Webb and B Webb (1911) *The Prevention of Destitution*. London: Longmans and Green.

⁶⁶ B Knight (2006).

⁶⁷ B Knight and S Robson (2007) *The Value and Independence of the Voluntary Sector*. London: CENTRIS.

⁶⁸ B Knight (2006).

⁶⁹ Women's Resource Centre (2008) *The impact of commissioning and procurement on the women's voluntary and community sector*. London: WRC.

of women's organizations.⁷⁰ Because women's inequality is widespread, women's organizations cover a wide range of issues, including health, violence against women, employment, education, rights and equality, the criminal justice system and the environment.⁷¹ Yet the future sustainability of the women's sector in the UK is severely under threat. A policy focus upon geographical neighbourhoods and indicators of deprivation has served to marginalize women and their organizations.⁷² Women's issues are not explicit in the indicators and targets set by government.⁷³

The process of procuring and commissioning services can fail women and children because their different needs are not properly considered and because of the gender-neutral approach to the commissioning process.⁷⁴ Research has demonstrated that a holistic approach with a focus on empowerment and independence is not valued by commissioners⁷⁵ and that in the past, where women-only organizations embraced a service-delivery model to secure resources, it was to the detriment of wider development and transformational change.⁷⁶ There is evidence that problem-oriented service provision, such as refuges and counselling services, tends to be maintained at the expense of campaign work. While delivering services is vital in terms of addressing women's needs, without a broader strategy that acknowledges the continuing salience of gender-based power, gender inequality will remain intact. It has also been argued that a blanket approach to structural problems further marginalizes the concerns of black and working-class women in favour of white middle-class agendas.⁷⁷

Universal – not segregated – services

The Webbs advocated the idea of universal services, 'organised around the functions of health [and] education', and called for 'a systematic "Framework of Prevention", with

⁷⁰ Women's Resource Centre (2009) *Not just bread, but roses, too: funding to the women's voluntary and community sector in England 2004–2007*. London: WRC.

⁷¹ *Ibid.*

⁷² E Gudnadottir, D Corry, S Robson and S Smith (2007) *Where are the Women in LSPs? Women's representation in Local Strategic Partnerships*. London: Urban Forum.

⁷³ *Ibid.*

⁷⁴ Women's Resource Centre (2008) *The impact of commissioning and procurement on the women's voluntary and community sector*. London: WRC.

⁷⁵ *Ibid.*

⁷⁶ M Riley (1982) 'A women's employment group in Milton Keynes' in A Curno et al (eds) *Women in Collective Action* pp 41–54, Association of Community Work; L Dominelli (1995) 'Community: Feminist principles and organising in community work' *Community Development Journal* vol 2, April 1995, pp 133–43, Oxford: Oxford University Press.

⁷⁷ B Bryan, S Dadzie and S Scafe (1985) 'Chain reactions: black women organising' *Race and Class* XXVII, 1, pp 1–28, London: Sage; L Dominelli (1990) *Women and Community Action*, Birmingham: Venture Press; L Dominelli (1995) 'Community: feminist principles and organising in community work' *Community Development Journal* (2) April pp 133–43.

greater provision and action across areas such as health, education, old age, and the labour market'.⁷⁸

Since the 1990s the rhetoric of partnership, empowerment and participation has been adopted by government to contain the effects of poverty. The remedies are similar to those advocated by the Minority Report – that is, bringing different agencies together to target services such as health, housing, education, employment and community safety at those in most need. The government introduced local strategic partnerships (LSPs) in England in 2000. LSPs are led by local authorities and develop strategies for delivering local services and reducing deprivation in health, employment, housing, education, etc.

Policy on LSPs revolves around the key principle of universal services, getting the right service to the most disadvantaged and promoting partnership working which challenges disconnected 'silo thinking'. Recent research found that there needed to be a cultural shift in order to achieve better outcomes in partnership working:

'a shift needs to take place so the key players are all aligned around outcomes for children and families, rather than focussing on their individual organisational or departmental concerns. Within the local authority, the 'provider mindset' will need to be overcome . . . partners need to have an embedded sense of a collective purpose and vision . . . professionals need to learn to transcend their old professional boundaries and start thinking and working in an integrated way.'⁷⁹

It is noted that the formal procedures in public forums such as LSPs tend to control the flow of discussions in order to reinforce the view of technical experts. It also conditions people to a particular mode of rationality related to free-market economics and bureaucracy.⁸⁰

'The business conducted in Forums that have been manufactured by the state in order to generate outcomes are predictably consistent with the state's economic agenda.'⁸¹

⁷⁸ T Horton (2009) *A Brief Guide to the Minority Report*. London: The Fabian Society.

⁷⁹ Department of Children, Schools and Families (2009) *Commissioning Services for Children, Young People and Families: A Study of the Dynamics in Six Local Authority Areas*.

⁸⁰ For a fuller discussion, see R Atkinson (1999) 'Discourses of partnership and empowerment in contemporary urban regeneration' *Urban Studies* vol 36, no 1, pp 59–79, Sage Publications; R Atkinson (2003) 'Addressing urban social exclusion through community involvement in urban regeneration' in R Imrie and M Raco (eds) *Urban Renaissance?* pp 101–20, Bristol: Policy Press; L Dominelli (1995) 'Community: Feminist principles and organising in community work' *Community Development Journal* vol 2, April 1995, pp 133–43, Oxford: Oxford University Press.

⁸¹ M Shaw (2005) 'Political, professional, powerful: understanding community development' CDX conference lecture, 23–25 September 2005.

Research has revealed that LSPs have severe shortcomings in responding to women's needs and the role that women play in decision-making processes.⁸²

'There was little appreciation that a gendered analysis can highlight how policies and practice impact differently on women and men. And the needs and concerns of women were not adequately tackled in the partnership structures.'⁸³

LSPs have tended to silence women's voices and marginalize their concerns.⁸⁴ Where women's issues are raised, it is most frequently as problems (eg teenage pregnancy), reflecting national and local government targets. None of the LSPs in recent research demonstrated awareness that all issues, whether they are about public service or economic development, have a gender perspective.⁸⁵ Although it is a legal requirement placed on public bodies,⁸⁶ gender analysis tends not to be integrated into LSP strategic planning processes. Very few women's organizations engage with their LSPs or attempt to influence local priorities strategically.⁸⁷ LSPs do not value the expertise held by women's organizations concerning the issues affecting local women or their ability to see things through a gendered lens.

The key to increasing women's participation and influence in local decisions may lie in opening up more space for women's voluntary organizations to devise and reflect upon strategies and actions that challenge structural discrimination against women. However, this is unlikely to happen, given that women's organizations are experiencing high levels of income volatility.⁸⁸ In 2001/2 only 1.2 per cent of central government funding to the voluntary and community sector went to women's organizations.⁸⁹ The north-east has the smallest number of women's voluntary organizations in all English regions and they are most likely to be facing closure. In comparison to the situation nationally, women in the north-east are even more disproportionately affected by gender inequality across employment, education, health, income etc. Yet

⁸² E Gudnadottir, D Corry, S Robson and S Smith (2007) *Where are the Women in LSPs? Women's representation in Local Strategic Partnerships*. London: Urban Forum.

⁸³ Oxfam (2009) *Gendering Local Strategic Partnerships: Knowing your community, improving public services*, draft briefing paper for discussion, July 2009.

⁸⁴ D Corry and S Robson (2010) *Power and Prejudice: Combating gender inequality through women's organisations*. London: Women's Resource Centre.

⁸⁵ Ibid.

⁸⁶ Equal Opportunities Commission (2006) *Gender Equality Code of Practice England and Wales*.

⁸⁷ Only 1.8 per cent of the voluntary and community sector (VCS) representatives on LSPs in England in 2007 were from the women's sector, despite making up 7 per cent of the VCS.

⁸⁸ Women's Resource Centre (2008) *The impact of commissioning and procurement on the women's voluntary and community sector*. London: WRC.

⁸⁹ I Mcroft and M Zimbeck (2004) *Central Government Funding of Voluntary and Community Organisations 1982/83 to 2001/02*. London: Home Office Research, Development and Statistics Directorate.

in the north-east, 42 per cent of women's voluntary organizations lost funding in 2009, and as a result service provision and spaces for women are shrinking.⁹⁰

Practical proposals

This section applies the recommendations of the Minority Report to women's poverty in the UK in the 21st century, making the case for reclaiming radicalism and providing some practical examples of approaches to economic and social change.

Poverty has structural causes

The Minority Report recommends that the state should be responsible for controlling unemployment levels:

‘The duty of so organising the national labour market so as to prevent or minimise unemployment should be placed upon a minister responsible to Parliament, who might be designated the Minister for Labour.’⁹¹

Clearly, one hundred years ago, the power of global economic forces in relation to the power of the state could not have been envisaged.

A briefing on women in the workforce in *The Economist* shows that across ‘the rich world’ more women are working than ever before, and in response the corporate and public sectors are doing more to address the difficulty of combining work and childcare.⁹² The ministry of justice has a range of measures to encourage women: encouraging all women, including black, minority, ethnic and disabled staff, to progress into senior positions as civil servants within the ministry. This includes support with childcare and caring, leadership coaching, confidence building, career development, flexible working and a women's issues network involving women of all grades. Targets are monitored to ensure that the measures are working and to check progress of women into the senior grades. There was an increase of 6 per cent in just over two years.⁹³

It is predicted that, globally, women's economic activity will continue to increase but that the children of poorer working mothers will be the least likely to benefit as a consequence of insufficient childcare facilities. Classically presuming that a woman's primary role is as unpaid carer, the briefing concludes by attributing widespread social malaise in the Western world to women's empowerment: ‘The West will

⁹⁰ NEWomen's Network *Results of the health of the women's sector in the North East survey*. Newcastle: NEWomen's Network. www.newwomens.net.

⁹¹ T Horton (2009) *A Brief Guide to the Minority Report*. London: The Fabian Society.

⁹² ‘Female power: women in the workforce’ *The Economist* 2 January 2010 pp 49–51.

⁹³ In October 2006 there were 31 per cent; in January 2008 there were 37 per cent.

be struggling with the social consequences of women's economic empowerment for many years to come.⁹⁴

Making adjustments to accommodate women when they are needed in the labour market might be helpful, but ultimately gender inequality needs to be understood within the context of global capitalism. It has been demonstrated that gender mainstreaming assumes women are gendered subjects before they enter the labour market. The achievement of gender equality involves more than integrating oppressed women within a system that constructs roles for them. Transformation is required to distribute resources equitably, creating the conditions for women to determine their own priorities and to influence values and norms.⁹⁵

Poverty prevention, rather than simply relief

The Minority Report recommends that public services should be geared to assisting those in particular need and advocates a universal national health service.

‘Local authorities, through their health, education and asylum services, should provide the assistance needed by children, the sick, the aged and the mentally ill . . . A Health Service having for its first great aim the prevention of disease, embracing the present Public Health, Medical Charities and Poor Law Hospital Services . . . would, I consider, particularly if managed as a state service, be a forward step of immense benefit to the public health and poor of the country.’⁹⁶

This chapter has shown that public services are failing women because of the lack of consideration given to their different needs. It has also shown that government policy both obscures and reproduces gender inequality. An analysis of the reasons why the poor find themselves in poverty in the first place is missing from contemporary political discourse. Before the remaining fragments of the welfare state are annihilated, it is vital that there is a critical analysis of the root causes of poverty. This would require critical education processes to challenge the current hegemony and would call for a reclamation of some of the radical movements that sought to bring power closer to people in the late 1960s and 1970s.

Curative rather than a deterrent system

The recommendations of the Minority Report highlight the recipient's obligation to cooperate with treatment, whether for sickness or for unemployment, as a means of

⁹⁴ ‘Female power: women in the workforce’ *The Economist* 2 January 2010 pp 49–51.

⁹⁵ A Hoogvelt (2001) *Globalization and the Postcolonial World: The new political economy of development*, Basingstoke: Palgrave; B Knight, H Chigadu and R Tanden (2002) *Reviving Democracy: Citizens at the heart of governance*, London: Earthscan Publications Ltd.

⁹⁶ T Horton (2009) *A Brief Guide to the Minority Report*. London: The Fabian Society.

developing the 'social, economic and moral qualities of effective citizenship'.⁹⁷ If treatment of the poor did not cure poverty, then punishment was recommended. This would take the form of 'detention colonies, after a judicial process, for able-bodied people who refused either work or training'.⁹⁸ Such measures, which could only be implemented by a public authority, are indeed draconian. Yet 100 years on, punitive measures contained in the Welfare Reform Act (2007) concerning the withdrawal of welfare benefits from women and children in single-parent households for non-compliance with employment and training programmes can be seen as equally harsh.

Contemporary pressures upon women in Britain need to be understood in terms of global economic subordination and theorized in ways that conceptualize women as socio-economic agents as well as passive subjects of policy. One route towards this transformation could be the development of social enterprise models that challenge gendered stereotypes and transform the relationship between service users and providers. Social enterprise provides an alternative socio-economic model generated from a process of identifying community assets and gaps in services and designing responses. Income generation and management are locally managed and controlled.

Social enterprise models have been shown to be successful in tackling financial exclusion and alleviating poverty at a micro-level in countries where the economy is considered to be underdeveloped.⁹⁹ The Self-Employed Women's Association (SEWA) in India extends this approach by bringing together the principles of feminism, trade unionism and the cooperative movement to provide an ideological alternative to the current world economic order and a vision for a more equal society. SEWA members, numbering nearly a million in 2008, are women who earn a living through their own labour or small businesses. The inspiration for the union came from Mahatma Gandhi, who led a successful strike of textile workers in 1917 and believed that 'developing unity as well as personality, a worker should be able to hold their own against tyranny from employers or the state'.¹⁰⁰

Social enterprise development is evident in community action, emerging from the UK women's movement in the 1980s. One example is a social enterprise that developed from a sit-in of women workers at Lee Jeans' factory.¹⁰¹ Alternatives to free market-based socio-economic strategies and perspectives declined after the 1980

⁹⁷ Ibid.

⁹⁸ Ibid.

⁹⁹ British Empire and Commonwealth Museum (2004) *Hard Core Poor Show: Women searching for a better life – Bangladeshi style* – an exhibition, 29 January–16 May 2004; www.empiremuseum.co.uk.

¹⁰⁰ <http://wapedia.mobi/en/SEWA>.

¹⁰¹ W Davis (1982) 'Under new management: Lee Jeans sit-in' in A Curno et al (eds) *Women in Community Action* pp 74–9. Association of Community Work.

collapse of socialist governments in Eastern and Central Europe.¹⁰² However, there are contemporary examples of women's social enterprises still to be found in the UK.

whomadeyourpants?,¹⁰³ based in Southampton, is a women workers' cooperative. Legally incorporated as an Industrial and Provident Society, it was formed in this way so that it could be owned entirely by its workers. This structure offers women the chance to take responsibility for the direction of the business and a share of the profits. The cooperative was formed specifically to empower women. Most of the women are refugees and a wide range of training and learning is available to them. In recognition that many of the women are marginalized and vulnerable, there is an emphasis upon providing social space within the workplace and providing access to a range of support services (financial advice, housing, parenting, etc). There are plans to offer a space where the women can learn to debate and openly discuss issues that affect them.

HEBA, based in Brick Lane, London, is a training and enterprise project providing women from diverse cultural backgrounds with opportunities to socialize, learn and engage in enterprise activities in accordance with their particular needs and commitments. There is an enterprise programme offering production work through links with new designers and opportunities to become involved in product design. It offers subsidized workspaces for women who want to start a new business, plus free childcare for trainees and a flexible affordable childcare service to others.

The responsibility of the state

The Minority Report recommended a national minimum wage for those in work, as well as adequate maintenance benefits for those out of work. It also recommended that voluntary agencies work in partnership with government, but not as an alternative to the state. Charities were perceived as seldom able to prevent destitution or distress by tackling their structural causes. The Minority Report recommended that the whole problem of able-bodied destitution be systematically dealt with by the national government. As demonstrated in this chapter, gender segregation in the labour market and gaps between women and men's pay persist into the 21st century, despite the government having put legislation in place to prevent this.¹⁰⁴

Recognizing that existing legislation was not enough to eradicate the persistent and systematic discrimination against women, the government introduced a Gender Equality Duty in the Equality Act (2006). This amended the Sex Discrimination Act and came into force in April 2007. It requires public authorities to promote equality of opportunity between women and men. The duty covers all the functions of public authorities, including services, policy-making and employment. The Gender Equality

¹⁰² M Mayo and G Craig (1995) 'Community participation and empowerment: the human face of structural adjustment or tools for democratic transformation?' in G Craig and M Mayo (eds) *Community Empowerment: A reader in participation and development* pp 1–11. London: Zed Books.

¹⁰³ <http://whomadeyourpants.co.uk/allaboutus/workers.php>.

¹⁰⁴ The Equal Pay Act (1970) and the Sex Discrimination Act (1975).

Duty represents a change from previous legislation in that it requires public bodies to be proactive in promoting gender equality. The Women's Resource Centre piloted a social justice model of action research which aims to empower women's voluntary organizations to take action to improve conditions in their lives. It has a gendered analysis which acknowledges and challenges structural discrimination against women and values women's experiences and voices.¹⁰⁵ The research included auditing the Gender Equality Duty and making it known if public authorities were not complying. In 2009, under mounting pressure from the women's movement, the Equality and Human Rights Commission issued compliance notices to three local authorities which appeared not to have fulfilled their Gender Equality Duty.¹⁰⁶

Universal – not segregated – services

The Minority Report recommends that holistic measures should be put in place to alleviate poverty, regardless of gender and class. 'Both sexes and all classes,' it proposes, should have 'sufficient nourishment and training when young, a living wage when able-bodied, treatment when sick, and modest but secure livelihood when disabled or aged.'¹⁰⁷

The role of the women's sector in alleviating poverty cannot be overestimated. Women's voluntary organizations provide a holistic approach to service delivery and alternative socio-economic models, while at the same time lobbying and campaigning to challenge and change gender inequality and discrimination against women. These organizations work with some of the most forgotten and isolated women, often those whose needs are not met by government agencies or by other charities and those with no recourse to public funds.¹⁰⁸

The volatility of the women's sector funding has been stated earlier in this chapter, yet there are specific requirements upon the government to address this. The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) was established in 1979 and is often referred to as the Women's International Bill of Rights. Unlike domestic UK and European legislation on sex discrimination and equal treatment, the convention is concerned solely with the position of women rather than discrimination faced by both sexes (which would include discrimination against

¹⁰⁵ D Corry and S Robson (2010) *Power and Prejudice: Combating gender inequality through women's organisations*. London: Women's Resource Centre.

¹⁰⁶ M Coy, L Kelly and J Foord (2009) *Map of Gaps 2: The postcode lottery of Violence Against Women support services in Britain*. End Violence Against Women in partnership with the Equality and Human Rights Commission. Available at www.equalityhumanrights.com/uploaded_files/research/map_of_gapsz.pdf.

¹⁰⁷ T Horton (2009) *A Brief Guide to the Minority Report*. London: The Fabian Society.

¹⁰⁸ The 'no recourse to public funds' rule says that a woman in this position is not entitled to certain state benefits, including housing benefit and income support. As a result many women in the UK are trapped in violent relationships with men and are denied access to services and refuge. See www.amnesty.org.uk/content.asp?CategoryID=11227.

men). The convention places obligations on state parties (countries that have agreed to the convention) to eliminate discrimination against women. The convention binds the government and its agencies to take action to achieve equality of results and substantive equality for women. Substantive equality recognizes that discrimination is socially constructed and is not a natural principle of human interaction, acknowledging the need for concerted action against inequality and the institutional mechanisms that perpetuate it. This means that government policies, services, strategies and initiatives must recognize and respond effectively to the different needs of women and men.

In July 2008 CEDAW examined the UK government's efforts to improve the equality and status of women. Following the oral examination, the committee issued its concluding observations,¹⁰⁹ stating that, despite some advances such as the introduction of gender-equality legislation and the establishment of the Equalities and Human Rights Commission, women's rights were far from being fully realized in the UK. There is clear recognition in the CEDAW concluding observations of the integral role of the women's sector in eliminating discrimination against women. In relation to the 'interpretation and application of the Gender Equality Duty', the concluding observation recommends that the Gender Duty should not be interpreted in a way that is detrimental to women's voluntary organizations. The state party should ensure that 'the interpretation and application of the Gender Equality Duty does not have a negative impact on the provision of "women-only" services or restrict the activities of women's organizations'.¹¹⁰

CEDAW also recommends that the government assesses and reports upon the impact of commissioning upon women's voluntary organizations. The state party should 'conduct an impact assessment of its "commissioning" frameworks on the funding of women's organizations. The Committee requests the State party to include information on the funding of NGOs and women's organizations in its next periodic report.'¹¹¹

There is a common misunderstanding that, in the move towards ensuring service provision is properly purchased through procurement processes and contracting, there is no longer a role for grant-funding. This is not the case. A public body can give grants where it has the legal power to do so, provided that doing so supports its main purposes.

A decision support tool for public bodies in England, *Financial relationships with third sector organisations*, produced by the National Audit Office,¹¹² identifies three funding channels for public bodies to choose from. The first two are procurement

¹⁰⁹ <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N09/555/92/PDF/N0955592.pdf?OpenElement>.

¹¹⁰ CEDAW/C/UK/CO/6 (273, pp7).

¹¹¹ Ibid.

¹¹² www.nao.org.uk/guidance__good_practice/toolkits/better_funding.aspx.

and grants.¹¹³ Procurement can be used to acquire goods, works or services in line with the government's policy of value for money. Grants can be used to fund an activity of a recipient if that activity is in broad alignment with the government's objectives but may only be used for defined purposes. The third channel replicates the arm's-length funding arrangement which was derived from the Webbs early in the 20th century:

'Grant-in-aid is a payment by a government department to finance all or part of the costs of the body in receipt of the grant in aid. Grant-in-aid is paid where the government has decided, subject to parliamentary controls, that the recipient body should operate at arm's length . . . Funding . . . given by way of grant-in-aid will form income to the unrestricted funds of the organisation, because it is for the support of the . . . overall activities, not any specific project.'¹¹⁴

The activities of the voluntary body have to be in close alignment with the government's objectives, however, and the guidance states that there should be a high level of trust over the long term. For the Webbs, the proper role of the voluntary sector was to complement the state by providing additional provision, 'not to operate as an alternative to the state or seek to compete with public services'.¹¹⁵ With respect to women's voluntary organizations, the government and charitable trusts need to pay heed to the mounting evidence that the whole of the women's sector is under threat and wake up to the devastating and far-reaching impact that this will have upon economic and social life in the UK. With regard to the possibilities for arm's-length funding arrangements for women's voluntary organizations, it seems from the government's own guidance that the consensus formed as part of the postwar settlement – that the role of the state is to guarantee basic rights to welfare and the voluntary sector would add to this – remains intact.

Conclusion

Despite the advent of legislation to outlaw discrimination on the grounds of sex and gender inequality, women in the 21st century remain affected disproportionately by poverty and inequality. In many ways, the position now is parallel to the situation 100 years ago, as is its impact upon the lives of children. In 100 years of trying to tackle poverty, little has changed because all we are getting is more of the same. How, then, can we dismantle the structures that have created poverty, especially among women?

¹¹³ *Financial relationships with third sector organisations: a decision support tool for public bodies in England* pp 9–10. Office for Public Management Ltd.

¹¹⁴ S Webb and B Webb (1911) *The Prevention of Destitution*. London: Longmans and Green.

¹¹⁵ B Knight (2006) *Voluntary and Community Action: The coming challenges*. Newcastle upon Tyne: Centris.

The five key principles of the Minority Report remain relevant to a contemporary welfare settlement for the 21st century. However, the far-reaching impact of global capitalism means that far more radical solutions are required today than those outlined in the Minority Report. Within state policy, gender is neutralized and there is little analysis of the socio-economic and political expectations of women, which have been proscribed in pursuance of capital. Women who step outside these parameters, such as single parents, are punished, pathologized and blamed for their own fate.

This chapter has highlighted hegemonic forces that serve a capitalist state by perpetuating notions of the deserving and undeserving poor. Challenging hegemony must be rooted within the community development tradition of critical education, starting with people's daily lives and an analysis of how power and structures of oppression reach into every facet of existence and interaction. Time, energy and resources need to be invested in radical movements – especially those associated with the resurgent women's movement – that bring power closer to ordinary people.

Alternative socio-economic models organized and led by women, as described in this chapter, are a practical solution to alleviating women's poverty and inequality. However, this needs to be part of a broader strategy that acknowledges the continuing salience of gender-based power and prioritizes the issues and concerns of black, working-class and poor women. A renaissance of the women's movement should open up more spaces where marginalized women can come together to achieve self-empowerment and decide upon individual and collective action for themselves. It should lead to increased campaigning and lobbying for policy that is more responsive to women and for the proper enforcement of existing laws to eliminate gender inequality. Women living in poverty are the subjects of state policy and hegemonic discourse; they need to take control of their own destinies and to become agents of transformation and change for the sake of themselves, their children and wider civil society.

* * * *

CHAPTER 10

* * * * *

What is to be done?

Barry Knight

* * * * *

THE ESSAYS IN this volume have produced some good ideas. They include: enhancing assets, protecting child benefits, fixing a minimum income as a target, reducing taxes for low-paid work, supporting children in poverty in working families, supporting a women's movement, and affirmative action on race. It is likely that each of these ideas, if implemented, would have a positive effect on poverty. The fact that some of them have been around for a long time does not matter since, as Howard Glennerster points out in his chapter, many of the old solutions were right. They were simply not applied vigorously enough.

Where does this leave us?

Despite the fact that these essays were written before the Conservative/Liberal Democrat government began its programme of reform, they contain some important learning points that should inform future policy and practice. The first one, as John Veit-Wilson points out, is that we need to have a clear target in mind if we want to reduce poverty. He proposes the need for a ‘minimum income standard’. Other contributors use other definitions of poverty, so the first point is that we need to be clear about what we mean when we use the term ‘poverty’. There are at least four ways in which poverty is commonly used:

- Absolute low income: a level below which people lack the necessary food, clothing or shelter to survive.¹
- Relative low income: this is defined against a particular societal norm (a particular income level, for instance, such as the median wage) below which a citizen lacks the economic capacity to participate fully in the society in which he or she lives.
- Material deprivation: a hybrid state of lacking certain goods and falling a certain percentage below a particular income level such as the median wage.
- Index of multiple deprivation: a combined measure of different factors such as poor housing, low income, low educational opportunity and poor health.

The choice of measure influences the approach that you take towards reducing poverty. For example, increasing absolute income implies a very different strategy from addressing the interrelationships between income, housing, education and health.

The essays give us some important perspectives in deciding how we might tackle poverty. The theme of a number of them is that getting people into work is insufficient on its own. John Welshman points out that the problem of low pay is an old problem described by Charles Booth in the 1880s. It is also a very modern problem. A Joseph Rowntree Foundation report published in December 2010 shows that the number of children living in poverty in working households has increased to 2.1 million – the highest on record.² This raises the issue of taxing people on low wages. Peter Kenway, who is another to suggest that work is not necessarily a route out of poverty, says that the single best measure to reduce poverty would be to stop taxing low-income households until they can afford it. Moreover, poverty reduction should not all be about work. Benefits are important. Jonathan Bradshaw points out that, without child benefit, child poverty would be 9 per cent higher than it is before housing costs, and 7 per cent higher after housing costs.

¹ The Child Poverty Act (2010) defines absolute poverty as falling below 60 per cent of the average income. However, since it is defined in relation to an average that can move, it is actually a relative measure.

² Anushree Parekh, Tom MacInnes and Peter Kenway (2010) *Monitoring Poverty and Social Exclusion in the UK*. Joseph Rowntree Foundation/New Policy Institute.

Another important lesson from the essays is that poverty-reduction strategies should not only be about income. Assets are important too. As Howard Glennerster notes, people with significant assets have choices, and they can survive downturns in income free from worry or the need to claim benefits. An asset-development strategy for individuals and communities offers hope of long-term and sustainable change in the way that people live their lives.

If we could manage our assets differently, in such a way that people had their fair share, it would avoid the ‘us and them’ problem, identified by Steve Osborn, in programmes designed to reduce poverty. The assumption underlying many neighbourhood-renewal programmes is that the poor are different from middle-class people and want different things. While it is supposed that people in poor areas want to set up and use community facilities in their own neighbourhoods, there is no such expectation of middle-class people, who typically choose social ties outside the areas in which they live. This ‘us and them’ divide runs through two other essays. Ranjana Bell points out that poverty among Black, Asian and Minority Ethnic (BAME) communities is around double that of white communities and shows no sign of improving. Sue Robson and Marian McGuinness show that women are typically poorer than men.

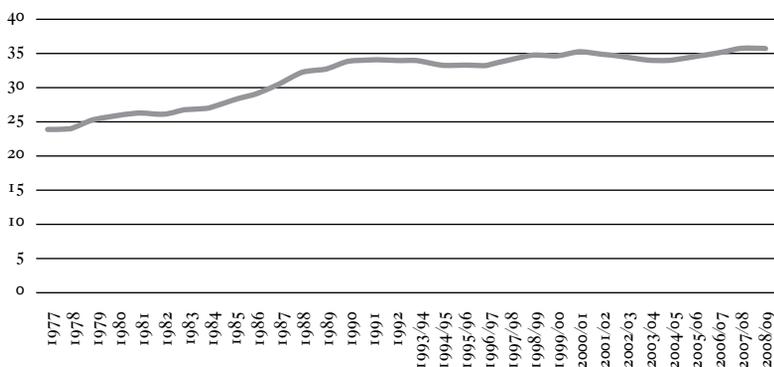
It is evident from the various contributions that poverty is a chronic problem embedded in the structure of things and hard to shift. Most of the authors are disappointed that we have not been able to eradicate it, and recognize that their proposed solutions would be insufficient to address the issue without a concerted effort on many different fronts. The last Labour government started well but ran out of steam from 2005 onwards.

The underlying problem is inequality

Highly relevant to the persistence of poverty is the long-term rise in inequality. You cannot end poverty in a grossly unequal society with current attitudes to tax and spending. The last Labour government made no impression on the long-term trend of rising inequality. The following line chart shows the Gini coefficient,³ a standardized measure of inequality, since 1977, using data released by HM Treasury in June 2010.⁴ The scale used is from 0 to 100, where 0 is perfect equality and 100 maximum inequality.

³ The Gini coefficient is a measure of statistical dispersion developed by the Italian statistician Corrado Gini. A value of 0 expresses total equality and a value of 1 maximal inequality, though in the line chart shown here the scale runs from 0 to 100.

⁴ www.statistics.gov.uk/StatBase/Product.asp?vlnk=10336. Released by HM Treasury on 10 June 2010.

Figure 1 *Gini coefficient for equivalized income (before housing costs)*

The trend is unmistakably upwards. Moreover, during 2010 inequality rose still further and the trend looked set to continue. At the top end of the income distribution, remuneration of board members of FTSE 100 companies rose by 45 per cent and that of chief executives by 55 per cent. Increases in basic salary were modest but bonuses soared.⁵

At the bottom end of the income distribution, the Conservative/Liberal Democrat coalition government's first budget, published in June 2010, was assessed by the Institute of Fiscal Studies as 'regressive', suggesting that working families on the lowest incomes – particularly those with children – were the biggest losers.⁶ In a separate report, John Hills estimated that if spending cuts of £1,000 a household a year were made across public services, it would represent about 10 per cent of the income of the poorest fifth and 1 per cent of that of the richest fifth. In fact, the cuts the government is proposing are almost three times this figure. 'The choice between general tax increases and general spending cuts has huge distributional effects,' said John Hills. 'It is rather hard to see how one can make huge spending cuts and still describe the Budget as progressive.'⁷

In more recent work for the Institute of Fiscal Studies, Mike Brewer and Robert Joyce predicted increases in poverty as a result of government cuts as follows:

'In 2013–14, we expect relative poverty to rise by about 200,000 children, 100,000 working-age parents and 200,000 working-age adults without children, and absolute poverty to rise by about 100,000 children, 100,000 working-age parents and 100,000 working-age adults without children.'⁸

⁵ Released by Income Data Services on 28 October 2010. See www.incomesdata.co.uk.

⁶ Institute of Fiscal Studies (2010) *The distributional effect of tax and benefit reforms to be introduced between June 2010 and April 2014: a revised assessment*; www.ifs.org.uk/publications/5246.

⁷ See www.ft.com/cms/s/0/2ff5bfaa-ac09-11df-bb55-00144feabdco.html.

⁸ Mike Brewer and Robert Joyce (2010) *Children and Working-age Poverty from 2010 to 2013* IFS Briefing Note 115; www.ifs.org.uk/bns/bn115.

The government has denied that its policies are regressive.⁹ However, in a careful study, OECD figures suggest that other countries that have used significant expenditure cuts to rebalance their books – for example, Sweden, Finland and Canada – have seen an explosion of inequality as a result.¹⁰ Britain starts out more unequal than any of them, so the social effects could prove worse. The National Equality Panel reported in January 2010: ‘For some readers, the sheer scale of the inequalities will be shocking.’¹¹

We need a new trajectory

I suggest that addressing the issue of poverty and inequality is the highest priority we have as a society. In their bestselling book *The Spirit Level*, Wilkinson and Pickett suggest that unequal societies are ‘dysfunctional’.¹² Although this book is controversial and some reviewers have questioned the authors’ statistical methods,¹³ the underlying message is important. Even if some do not accept their conclusions, it may be that really serious problems lie ahead of us. If the Gini coefficient continues on its current path, it would lead to two kinds of people – rich and poor – with the middle class being eliminated. Such a development could produce the end of the social contract as we know it and create the conditions for widespread civil unrest.

I believe that we need a major rethink, and this needs to address fundamentals. It is plain that if we carry on as we have done in the past, we are never going to remove inequality or solve the problem of poverty.

In the remainder of this chapter, I aim to lay the groundwork on which some of this thinking might be based. This thinking, and the reaction to it when it is published, will then condition the way that the Webb Memorial Trust approaches subsequent volumes in this series. Of course, the ideas presented here are preliminary and provisional, and will be subject to revision and refinement in subsequent books.

⁹ Nick Clegg, deputy prime minister, said that the Institute of Fiscal Studies analysis was ‘by definition partial . . . It does not include the things we want to do to get people off benefits and into work.’ See www.bbc.co.uk/news/business-11086137.

¹⁰ OECD (2008) *Growing Unequal? Income distribution and poverty in OECD countries* OECD (Organization for Economic Cooperation and Development) General Economics and Future Studies, vol 2008, no 8, October 2008; www.oecd.org/document/4/0,3343,en_2649_33933_41460917_1_1_1_1,00.html.

¹¹ John Hills (2010) *An Anatomy of Economic Inequality in the UK* Report of the National Equality Panel, CASEreport 60, January 2010.

¹² Richard Wilkinson and Kate Pickett (2009) *The Spirit Level: Why more equal societies almost always do better*. London: Penguin.

¹³ Christopher Snowden (2010) *The Spirit Level Delusion: Fact checking the left’s new theory of everything*. Democracy Institute/Little Dice.

The main hurdle

The main barrier to progress is the fact that all political parties are committed to economic growth as a way out of the current difficulties. The Conservative/Liberal Democrat coalition government announced in August 2010: ‘Deficit reduction and continuing to ensure economic recovery is the most urgent issue facing Britain.’¹⁴ This is almost identical to Labour prime minister Gordon Brown’s New Year Message for 2010, in which he promised to ‘go for growth’ and deliver ‘a decade of shared prosperity’, while cutting the deficit in a ‘sensible and fair way’.¹⁵ This consensus has held sway since the end of communism in 1989. Since then, as Slavoj Žižek has put it, ‘the left no longer dreams of socialism with a human face but of global capitalism with a human face.’¹⁶

It seems to me that the task before us involves the construction of a social democratic narrative of what a good society without poverty would look like and what conditions need to be met before we can attain it. Here are some of the considerations that may help to develop such a narrative.

Limits of traditional welfare

The welfare state solutions that held sway from the late 1940s to the mid-1970s are of little use in the current situation. Although welfare payments are important in preventing the worst effects of poverty – and it is important to defend them, as Jonathan Bradshaw suggests in his essay – they cannot be seen as holding the key to an anti-poverty strategy. Such programmes have not stemmed the rising tide of inequality, and the evidence suggests that the public is unwilling to pay for the size and scale of programmes that would be required to do so.

It is unlikely that the proposals for universal benefits in *The Solidarity Society*, a book published by the Fabian Society to commemorate the centenary of the Minority Report, could find political favour now, since they would probably be regarded as too expensive.¹⁷ This book is likely to be the last hurrah of a lost age, when it was assumed that the state, in the guise of the welfare state, could pull levers to bring about social change.

New set of measures

We also need to recognize that the measures used for poverty are both inadequate and confusing and need to be rethought. The usual way to think about poverty has been in

¹⁴ <http://uk.reuters.com/article/idUKTRE67211P20100803>.

¹⁵ ‘Gordon Brown to “go for growth” in New Year message’ BBC News 30 December 2009, http://news.bbc.co.uk/1/hi/uk_politics/8434343.stm.

¹⁶ Slavoj Žižek (2009) ‘Five conditions for communism’ *Financial Times* 24 October 2009.

¹⁷ Tim Horton and James Gregory (2009) *The Solidarity Society*. London: Fabian Society.

relative terms and the commonest measure of poverty has been based on those people whose incomes fall below 60 per cent of the median. However, according to the Institute of Fiscal Studies, the median income has increased by 60 per cent in real terms since 1979.¹⁸ This means that it is impossible, using a measure based on the median, to compare the conditions of people living in poverty in 1979 with those living in poverty in 2010. A big problem with a measure based on the median is that we can never eradicate poverty unless we eradicate inequality. John Veit-Wilson's contribution speaks to these issues. We need to review the various measures available, assess the strengths and weaknesses of each, and decide when it is appropriate to use them.

This lack of clarity about definitions explains in part why the general public is so muddled about poverty and tends to see it as a feature of the developing world, rather than something to be found within our own shores. An exception is the idea of a 'living wage', which has widespread popular, and hence political, support.¹⁹

Research solutions rather than problems

Research efforts are typically good at describing and analysing problems, but poor at developing solutions. To take an example, the 457-page Report of the National Equality Panel entitled *An Anatomy of Economic Inequality in the UK (2010)* contains an extensive analysis of the demographic and other characteristics of inequality, but nothing on what might work to reduce it.²⁰ Its final chapter focuses on 'challenges' for policy, rather than 'prescriptions' for policy. This is not a criticism of this particular piece of work, since its brief did not include coming up with answers, but we do need more work on what to do about poverty and inequality. As Steve Osborn points out in his essay, the field is hampered by a lack of knowledge of 'what works'. The emphasis of research needs to move towards solutions rather than problems. As Avila Kilmurray, director of the Community Foundation for Northern Ireland, points out: 'There's very little research that tells me what I need to do on Monday.'²¹

¹⁸ Robert Joyce, Alastair Muriel, David Phillips and Luke Sibieta (2010) *Poverty and Inequality in the UK: 2010*. London: Institute of Fiscal Studies. See www.ifs.org.uk/comms/comm116.pdf.

¹⁹ 'Living wage' is a term used to describe the minimum hourly wage necessary for an individual to meet basic needs, including shelter (housing) and items such as clothing and nutrition. The idea differs from the minimum wage in that the latter is set by law and may fail to meet the requirements of a living wage. In the UK, a Living Wage Campaign was introduced by Citizens UK in 2001. See www.citizensuk.org/campaigns/living-wage-campaign.

²⁰ John Hills (2010) *An Anatomy of Economic Inequality in the UK* Report of the National Equality Panel, CASEreport 60, January 2010.

²¹ Personal communication with the author.

A different emphasis in policy

This brings us to the question of solutions, and what kinds of policies we need in order to build a good society. Clearly, there is no magic bullet here, and it would take time to turn around the policies of the past 30 years. Here are four suggestions for policy that could be developed and become central to a new way of organizing society. There may be other suggestions that are equally important – these are merely intended to start discussion.

Jobs

The first of these relates to jobs. The main goal of economic policy should be full employment, not growth. These are often in conflict, since much economic growth involves shedding jobs in order to drive up profits. The goal should be to produce jobs that pay a ‘living wage’, to abolish in-work poverty, and to ensure that people have dignity in their lives. If reasonably paid work were a feature of people’s lives, most other problems would disappear.

Economic, social and community

Economic policy should be joined up with social policy and each should have parity. Economic and social development need to be seen as two sides of the same coin and to proceed hand in hand. Economic policies that produce bad social consequences, such as inequality and environmental damage, should be abandoned.

Policies should be proofed for their social, community and environmental consequences. Wealth-creation policies should be tempered by concern for social relationships, gender, race, human happiness, and care of the planet. This means that we need, for example, consciously to eliminate very high pay and exploitative relationships with nature. We also need to encourage access for women, ethnic minorities, and others who are commonly excluded, disadvantaged or discriminated against.

The Mondragon Cooperatives, based in the Basque region of Spain, are a good example of how to do this. Mondragon operates in accordance with a business model based on ‘people and the sovereignty of labour’. It has built highly participative companies rooted in solidarity, with a strong social dimension, but has not neglected business excellence. At the end of 2009, Mondragon was the seventh largest company in Spain, providing employment for 85,000 people.

Self-organizing society

Policies should recognize the fact that people are competent and can do things for themselves. Well-meaning intervention by government nearly always has distorting effects – it commonly produces unforeseen and harmful side effects, sometimes undermining the wisdom within communities that enables people to solve their own problems.²²

²² John McKnight (1995) *The Careless Society: Community and its counterfeits*. New York: Basic Books.

Groups such as Citizens UK show us how communities can organize themselves across religious and racial boundaries to lift people out of poverty, protect asylum-seekers, and build community safety.²³ Getting resources through to the grassroots should be a top priority, rather than diverting them to pay professional agencies that make little face-to-face contact with people in communities. Many of the top-down programmes of the last Labour government failed to reach those for whom they were intended. There needs to be rigorous application of the principle of ‘subsidiarity’ – decisions should be taken at the lowest appropriate level; while allowing the principle of ‘requisite variety’ – flexibility and freedom to achieve the common good should be as extensive as possible.

Provide a good safety net

Government will almost certainly need to do less in most areas for the foreseeable future, but it should make sure that it does not abandon the security of its citizens. There needs to be a safety net through which no one is allowed to fall. For example, people who cannot work should be looked after and government policy should focus on creating jobs for those who can work.

Opposition to change

Such ideas are likely to arouse opposition. There are perhaps four main reasons. The first is that narrow and short-term political ambitions mean that people are wedded to conventional but false wisdom – the unquestioned merits of ‘growth’ and ‘the market’, for instance – and cling to it for fear of ridicule by their peers and others. The second is that the popular press tends to pounce on deviant views and ridicule them. The third is growing public disenchantment with the process of politics and people’s unwillingness to think seriously about issues such as poverty and inequality. Finally, there are the vested interests of the rich and powerful, who have disproportionate influence over politicians and are doing very well out of things as they currently stand.

How do we build a consensus around a new solution?

The economic crisis of 2008 and its lingering consequences offer an opportunity to rethink matters. Policies that are currently underway are likely to change the way that British society is organized for a generation or more. In that fluid situation, where the likely scenario is one of pain, people may be more open to new ways of thinking about society – ways they would never have previously considered. There are perhaps four components to building a consensus around a new solution.

²³ See www.citizensuk.org.

The first is to produce a narrative of what a good society would look like. This would involve fleshing out the principles mentioned in this chapter and working out how they could be put into practice.

The second is to build support for the idea among civil society. Groups such as Citizens UK are already streets ahead of most voluntary and community organizations because they are broad-based and democratic in their organization. Whatever action they take is based on the wishes of people in communities. The narrative of a good society can therefore be built from the bottom up and politicians can be held to account by the people at their assemblies. Such grassroots movements are sensitive to the needs of women and minorities, and of others who have typically been marginalized.

The third component, following from the first two, is to gain the support of politicians. One of the reasons why politicians of all parties have endorsed Citizens UK is that it mobilizes thousands of voters who help to build participatory politics and can hold them to account.

Finally, as the consensus builds, we need to encourage international agreement on the importance of meaningful work as the goal of international policy and to kick the idea of growth into touch. If this happens, we really will have Bretton Woods Mark II – a much-needed agreement to reverse the disabling effects of promiscuous money doing damage wherever it wants.

* * * *

A Minority View

What
Beatrice Webb
would say now

Contributors

Ranjana Bell

Jonathan Bradshaw

Howard Glennerster

Peter Kenway

Barry Knight

Marian McGuinness

Steve Osborn

Sue Robson

John Veit-Wilson

John Welshman

Beatrice Webb made a major contribution to social policy by showing that poverty is caused less by a failure of individual character and more by systems and structures over which an individual has little control. Her work laid the foundations of the welfare state.

However, after all these years, poverty remains a stain on our society, and looks set to get worse. The Webb Memorial Trust asked some of Britain's best-known experts to say what should be done to address it. *A Minority View: What Beatrice Webb would say now* presents their answers.

This book is the first of a series to be developed by the Webb Memorial Trust. The series will develop a narrative of what a society without poverty would look like, and how it could be achieved. Such an approach involves a combination of radical and practical thinking on work, income, taxation, social security, wealth, values and much more. We want the series to become a blueprint for change.

The Webb Memorial Trust

The Webb Memorial Trust has pursued the intellectual legacy of Beatrice Webb (1858–1943), who, together with her husband Sydney (1859–1947), embarked on a vigorous programme of social reform. The trust was formed in 1947 with the purpose of 'the advancement of education and learning with respect to the history and problems of government and social policy'. Founding trustees included R H Tawney and Harold Laski.