



Research Report 1997-2001

CASereport 17

September 2001

Contents	Page
Introductory Note	1
Overview	2
1. Income mobility: Patterns and analyses	9
2. Specific analysis of income dynamics	12
a) Reactions to shocks	12
b) Disability dynamics and early retirement	16
c) Inequality in the labour market	18
d) Combined impacts of family, school and area	20
e) Women's earnings and the impact of children	20
3. Distributional structure	22
a) Comparing mobility patterns	22
b) Perceptions of inequality	23
c) Measurement and inference issues	23
4. Social exclusion across the generations and the life course	25
a) Childhood antecedents of adult social exclusion	25
b) Linking childhood antecedents through early adult experiences to adult social exclusion	26
c) Intergenerational mobility: occupational class, income and education	29
d) Further developments	30
5. Understanding family change	31
a) Youthful parenthood	31
b) Unmarried families	33
c) Partnership dissolution	34
d) Early interventions and outcomes	36
6. Area trajectories	37
a) Changes in cities	37
b) Poor areas	42
c) Living in a poor neighbourhood	51
7. Social Exclusion: Concepts and measurement	57
a) Concepts	57
b) Measurement	58
8. Analysis of overall welfare policy	63
a) Historical background and fundamental pressures	63
b) What's 'new' about New Labour?	64
c) The distributional impact of the policy mix	65
d) Attitudes to welfare policy and poverty	68
e) Funding systems for health, education and housing	69
9. Specific aspects of welfare	71
a) Private welfare	71
b) Welfare to work	73
c) Economic evaluation of social welfare	77
d) Education	78
e) Pensions	81
f) Welfare systems in East Asian countries	82
10. Area-based policies	85
a) Using administrative data to delay to track the impact of general public spending and trends in area deprivation	85
b) Specific area-based policies	87

INTRODUCTORY NOTE

Rather than an Annual Report for 2001, the Economic and Social Research Council which provides CASE's core funding requested us to prepare a review of the Centre's activities for the whole four year period from October 1997 when we started work. This report forms the main part of our submission which the Council will use in deciding whether to extend CASE's funding for a further five years from October 2002. A separate Appendix presents performance indicators listing our output and activities for the four years from October 1997 under the headings of publications, external relations, financial resources and staff resources. A final summary table in the Appendix compares key elements in these over the four years.

The main body of this report (sections 1-10) presents our work under the headings listed in our original Scientific Programme agreed with ESRC in 1997. These sections are roughly along disciplinary lines:

1. **Income mobility: patterns and analyses**
2. **Specific analysis of income dynamics**, including reactions to shocks and the determinants of risks, disability dynamics and early retirement, long-run inequality in the labour market, long-run impact of childhood circumstances, and women's earnings and the impact of children.
3. **Distributional structure**: comparisons of mobility patterns, perceptions of inequality, and measurement issues.
4. **Social exclusion across generations and the life course**, including childhood antecedents of adult social exclusion, the links through early adult experiences including qualifications, the combined effects of class, income and education on mobility, and further developments.
5. **Understanding family change** both within the UK and comparatively across other European and industrialised countries, including youthful parenthood, unmarried families, partnership dissolution, and early childhood interventions.
6. **Area trajectories**, including changes in cities, poor areas, and experiences of living in poor neighbourhoods.
7. **Social exclusion: concepts and measurement**
8. **Analysis of overall welfare policy** including historical background, the welfare changes under New Labour since 1997, the distributional impact of the policy mix, attitudes to welfare policy and poverty, and funding systems for devolved public services.
9. **Specific aspects of welfare** including private welfare, welfare to work policies, economic evaluation in social welfare, education, pensions, and welfare systems in East Asian countries.
10. **Area-based policies**, including using area-based administrative data, and a variety of specific area-based policies.

However, these programmes of work inter-connect. In the overview below which summarises our findings we use the themes which we also highlighted in our Scientific Programme as cutting across the different parts of our research:

- a) A focus on dynamic processes
- b) The impact of life course experiences
- c) Investment in and returns from human capital
- d) Family formation, break-up and reformation
- e) Economic and social trajectories of areas and communities
- f) Positive factors and institutions which help recovery and preventative strategies.

OVERVIEW

(a) A focus on dynamic processes

In our research we have shown the increased understanding of individual circumstances which comes from analysis of dynamics, and the contrasts between individual experiences and areas:

- In operationalising the concept of social exclusion, Tania Burchardt, Julian Le Grand and David Piachaud identify four distinct dimensions: income and consumption; production; political involvement; and social interaction. Using seven years of longitudinal data, they show that falling below a threshold in at least one of these dimensions is a majority experience within four years. However, none of the sample is below all four thresholds selected in more than three years. While related, the dimensions of exclusion are distinct, people's position varies over time, and there is little evidence of a UK 'underclass' in these terms. (Section 7).
- Describing specific patterns of income mobility, John Hills and Karen Gardiner show that movements over time are linked rather than random. Most observations of low income are accounted for by people with unfavourable longer-term trajectories. Some of the more disadvantaged household types from cross-sectional analysis (such as lone parents and their children, or social tenants) are most likely to be shown as even more disadvantaged in these terms. (Section 1).
- Simon Burgess and Carol Propper develop a structural economic model explaining household income dynamics incorporating both labour supply decisions and household formation. Using US data they show the importance for poverty dynamics for different groups of rates of transition between both labour market and family structure states. (Section 1).
- Comparing income dynamics in the UK, Germany and the USA, Chris Schluter and colleagues show that Germany is a more mobile society than the USA, with the difference accounted for by faster recovery from periods of low income in Germany. Further joint work with Essex University shows that positive labour market events are more likely to lead to exit from poverty in Germany than in the UK. (Section 3a).
- Frank Cowell and Chris Schluter show that leading income mobility measures are vulnerable to data contamination and errors. Two stage measures using data divided into groups (such as measures based on quantiles) are more robust. (Section 3c).
- Using data from a large panel of earnings over 21 years Abigail McKnight shows that the rise in cross-sectional earnings inequality has been accompanied by a *fall* in earnings mobility, so long run earnings inequality has also increased sharply. (Section 2c).
- Kathleen Kiernan shows that experience of deprivation makes divorce and partnership dissolution more likely, while partnership breakdown is in turn a precursor of deprivation. (Section 5b). Across fourteen European countries experience of parental break-up is associated with greater propensities for unmarried cohabitation and for partnership dissolution. (Section 5c).
- Using administrative data for benefit receipt Martin Evans and colleagues from Oxford University show that nearly every ward in the country has benefited from recent economic growth in terms of falling unemployment. However, as unemployment has fallen, benefit receipt for long term sickness and disability has risen except in London. At the same time means-tested benefit receipt by lone parents has fallen, except in London. (Section 10a).

- Focusing on twelve very deprived neighbourhoods Ruth Lupton also finds that unemployment and benefit receipt were falling. Given the high starting point, these reductions are large in absolute terms, but were smaller proportionately than in surrounding towns and cities, so ratios between high and low unemployment neighbourhoods widened. (Section 6b).

(b) The effects of life course experiences

We show the strong interconnections between different kinds of life course experience, and the long-term links across people's lives:

- John Hobcraft shows that for a cohort of individuals born in 1958, experiencing poverty in childhood, family disruption, and contact with the police are pervasive indicators of later adverse outcomes by the age of 33, controlling for a very wide range of other background factors. (Section 4a).
- Megan Ravenhill, using detailed life histories from 50 people who have experienced street homelessness, finds that the time gap (7-9 years) between triggers of homelessness and sleeping rough is far longer than previously anticipated. Similarly it takes far longer than thought (3-5 years) to return to a stable tenancy and life style. (Section 10b).
- Tania Burchardt and Julian Le Grand explore the range of factors which constrain opportunities for employment, from inherent characteristics like gender and ethnicity, through characteristics acquired early in life such as education, to contemporary factors such as area of residence. They show that estimates of the range of opportunities open to someone are highly sensitive to which of these factors are assumed to be within an individual's control. (Section 7b).
- Simon Burgess and colleagues show that the shock of a sharp rise in general unemployment when people were aged 16-18 had mixed effects on later unemployment. For low skilled groups this 'scarring' experience is associated with a 1 per cent higher unemployment rate several years later, but for medium and high skilled groups later unemployment appears to be *reduced* (perhaps because of longer periods in education). (Section 2a).
- Analysing the (relatively weak) relationship between aggregate unemployment and poverty, Simon Burgess, Karen Gardiner and Carol Propper divide an individual's risk of being in poverty into three parts: the risk of unemployment; the risk of being poor when *not* unemployed; and the additional risk when they are. These three factors together drive the relationship between individual poverty risks and aggregate unemployment. These vary considerably between individuals. Perhaps surprisingly a key part of this variation is the varying impact of the economic cycle on different individuals' risk of being poor when *not unemployed*. (Section 2a).
- Susan Harkness and Jane Waldfogel show that across seven countries the 'family gap' in pay – the differential between wages for women with and without children – is greatest in the UK. (Section 2e).
- Tania Burchardt shows that one in five of those who become disabled while at work leave employment within a year. Manual workers and those with mental health problems are most at risk. Once out of work, disabled people have only one sixth of the chance of moving back into employment of non-disabled people. (Section 2b).
- Analysis of early retirement by Nigel Campbell shows that two groups of older men are particularly likely to retire early: those with above average earnings *and* covered by occupational pensions; and those in the bottom quarter of earnings. (Section 2b).

(c) Investment in and returns on human capital

We show the importance of education and qualifications for later outcomes, and assess the results of schemes aimed at helping people back into the labour market:

- John Hobcraft shows that within the 1958 cohort educational test scores and indicators of parental interest in education are strong predictors of outcomes in adulthood. He shows that (low) qualification levels are strongly related to every single one of the 36 possible adverse outcomes at ages 23 and 33 (with men and women examined separately) despite inclusion of a very wide range of controls. Early educational test scores remain significantly associated with only about half of the adverse outcomes in these models. (Section 4b).
- Comparing cohorts born in 1958 and 1970, Abigail McKnight shows that the employment and earnings penalties from low income in childhood have been increasing. However for the later cohort, differences in educational attainment explain less of the differences between income groups than before. (Section 3c).
- Jo Sparkes and Howard Glennerster, reviewing the links between education and social exclusion, show that the latest research is far more encouraging about the capacity to intervene effectively. There has been a considerable narrowing of the – still very wide – gaps in attainment between best and worst performing schools at Key Stages 1, 2 and 3, except in Science. (Section 9d).
- Abigail McKnight and colleagues from Warwick University show that the riskiness of the return to entering higher education is greater for young people from disadvantaged backgrounds, highlighting issues for access and the structure of student support. (Section 9d).
- Analysing the impact of experimental ‘welfare to work’ initiatives, Abigail McKnight shows (in joint work) that the New Deal for Lone Parents had resulted in a small but significant (and cost-effective) reduction in the stock of lone parents claiming Income Support by 3.3 per cent. As part of a team evaluating the Earnings Top-Up Experiment she shows from statistical analysis that unemployment inflows had reduced and outflows increased in the experimental areas. Younger and older unskilled workers, women, and those in rural areas were the largest beneficiaries. (Section 9b).
- Comparing the delivery of ‘welfare to work’ policies in five countries, Martin Evans shows that the Netherlands and USA place most emphasis on the “hardest to serve”, while in Britain it is on the young unemployed. Target groups for the policies vary greatly between countries – adding to the dangers from “learning lessons from abroad” without properly understanding the context. (Section 9b).
- Helen Evans, analysing the long-term impact of a community-based employment programme in Hackney shows the importance of a flexible, supportive, locally-based approach in helping those initially furthest from the labour market. (Section 9b).

(d) Family formation, breakdown and reformation

We show the importance of particular demographic events and family circumstances, and the way these differ in the UK from other countries:

- John Hobcraft and Kathleen Kiernan show the importance of young motherhood (under age 23, rather than simply teenage motherhood) for later outcomes. They assess its relatively greater importance by comparison with experiences of childhood poverty (although both are associated with adverse outcomes, particularly in combination). The

impact of early motherhood remains even when controlling for educational attainment. (Section 5a).

- Kathleen Kiernan shows that across Europe there has been a rise in childbearing outside marriage. In all countries this involves children within cohabiting unions, but exceptionally in the UK there has been a rise in solo motherhood (birth outside a partnership). British unmarried partnerships are also more likely to break-up than many other European countries. (Section 5b).
- She also shows that solo and cohabiting mothers in the UK are more likely to have experienced poverty and have low educational attainment than married mothers. They are also more likely to have started motherhood early. (Section 5b).
- Looking at divorce (see also (a) above) she finds that pre-divorce circumstances explain much of the association of divorce with adverse later economic outcomes, but that even controlling for pre-divorce circumstances, later demographic outcomes differ for those experiencing parental divorce (with earlier and less stable partnerships). (Section 5c).
- In our research with 200 families living in four low income neighbourhoods, Katharine Mumford and Helen Bowman report on the strong feelings which parents have about the way childhood has changed between the last two generations, with much greater fears for their safety (in terms of crime, drugs, and traffic) and hence much greater restriction on children's freedom. (Section 6c).

(e) Economic and social trajectories of areas and communities

We explain the factors contributing to area decline and recovery, particularly within poor areas and neighbourhoods:

- Anne Power and Katharine Mumford report on the new phenomenon for the UK of area abandonment and acutely low demand for housing. They show how this is linked to long-term economic and population decline and can affect all tenures, although council housing dominates in areas of low demand. Low demand triggers falling school rolls, loss of confidence, a vacuum in social control, anti-social behaviour and intense fear of crime. Regeneration initiatives do help stabilise the situation – these include intensive management, proactive policy and resident involvement. (Section 6a).
- In explaining why areas become and remain poor, Anne Power and Ruth Lupton develop a typology of 'intrinsic' and 'acquired' characteristics affecting both current area conditions and consequential outcomes for the areas. Neighbourhood breakdown occurs when the three elements of home, local services, and environment are disrupted to a point where security disintegrates. (Section 6a).
- In a study with colleagues from Warwick University undertaken in 2000, Anne Power examines the impact of ethnic segregation in housing and schools in Bradford, and the potential for increased tension and violence. She presents an action plan to deal with access to council housing for minority groups in the City. (Section 6a).
- Writing with Richard Rogers (and as part of the Urban Task Force) Anne Power shows the links between urban sprawl and low density in cities, fuelling selective migration and greater neighbourhood polarisation. Examination of land use and density of development, economic and social integration, traffic, the environment and governance suggest the advantages of 'compact cities'. (Section 6a).
- Studying twelve very deprived areas, Ruth Lupton finds declining population in six of the ten for which data are available. More people were moving out than moving in. In four areas where population was growing, the proportion of the population from disadvantaged ethnic groups was rising. Economic restructuring was also exacerbating the relative

disadvantage of the areas – the majority were still losing manufacturing jobs, in some cases faster than the growth of service sector jobs. (Section 6b).

- Examining drugs markets, Ruth Lupton, Andrew Wilson and colleagues from South Bank University look in detail at five of the CASE study areas and three others. All have active drug markets with easily available heroin; crack cocaine is also readily available in six, and increasingly rapidly. Both are becoming cheaper. Use of mobile phones is reducing street-selling and associated nuisance, but violence – in some contested areas, extreme violence and use of firearms – is increasing. Stronger mechanisms are needed to deliver and co-ordinate anti-drugs strategies at neighbourhood level. (Section 6b).
- Within the two East London neighbourhoods where Katharine Mumford has interviewed families she finds very high levels of crime and disorder which feed into high levels of insecurity and fears for children. The families' concern about crime, vandalism, and drugs is largely based on actual experience: levels of crime experienced are much higher than in the rest of the country. (Section 6c).
- Martin Evans with colleagues from Heriot-Watt University and elsewhere shows that it is possible to allocate public spending to small area (ward) level using administrative data, for three case studies. Spending is 45 per cent higher overall in deprived than non-deprived areas. However, this difference is partly explained by demography and services like means-tested benefits and child-related spending. Some services such as parts of education and transport are skewed to non-deprived areas. (Section 10a).

(f) Positive factors and institutions which help recovery, and preventative strategies

We identify a wide range of personal circumstances, policy interventions, and community initiatives which have a positive impact:

- The parts of our research which identify risk factors for adverse outcomes also, by implication, suggest protective factors (although some of these are hard to influence). Thus in Simon Burgess and colleagues' work on the relationship between unemployment and poverty risk, they show that living in a household with other workers act as a strong protective factor (Section 2a).
- This is echoed by the findings of Didier Jacobs' work on income distribution in four East Asian economies. While labour market inequality is little different from European countries, and there are few redistributive income transfers, overall household income inequality remains moderate (and lower than in the UK) because there are few workless households (although this is now changing). (Section 9e).
- In more detailed work on the sources of income risk for individuals, Simon Burgess and colleagues show that those remaining in an intact household experience significantly less income variability than those in non-intact ones. In general they show that demographic factors are important in driving income risk, not just the labour market. (Section 2a).
- Similarly John Hobcraft's research on associations between adult outcomes and childhood circumstances shows the protective effects of some (not all open to influence) including educational test scores, parental interest in schooling, lack of experience of deprivation, together with non-manual (particularly professional) parental origins and longer periods of parental education. (Section 4a, 4c).
- Jane Waldfogel's reviews of the impacts of early childhood interventions suggest promising results from initiatives on: women's health; early interventions targeted at the most disadvantaged children; the quality of child care and pre-school education; after school and mentoring programmes; and promoting tertiary education for high ability young people from low income background. (Section 5d).

- Anne Power and Katharine Mumford in their study of areas of low demand and abandonment find that six factors often contribute to fightback: emergence of local leaders; service innovation and improved co-ordination; experimental working between police, housing and residents; attempts at marketing the housing and area; improved security (concierges, wardens); development of longer-term strategies. (Section 6a).
- In Katharine Mumford's interviews in East London she finds positive views of impacts from visible physical and transport improvements, and from recent school improvements, including leadership, results, discipline, activities, and homework. More value living in an ethnically mixed neighbourhood than say the opposite. Community spirit is strongly valued where it is present, but a major problem when it is not. A very high proportion of families are 'linked in' to local activities. (Section 6c).
- John Hills and Howard Glennerster analyse the constraints under which the policy mix has evolved before and since 1997, characterising policy since 1997 as a combination of 'selective universalism' and a 'patchwork redistribution'. (Section 8a, b). John Hills and Orsolya Lelkes show that this combination is close to the preferences of the majority of respondents to the British Social Attitudes survey. In more recent work on the 2000 survey, John Hills suggests that some of the hardening of attitudes to benefits for the unemployed in 1998 may have been influenced by ministerial statements, rather than being an immutable constraint. (Section 8d).
- David Piachaud and Holly Sutherland show that, other things being equal, the tax and benefit changes of recent Budgets are enough to raise more than 1 million children above a poverty line of 60 per cent of median income. (Section 8c).
- Examining the structures and views of central funding systems for devolved public services, Howard Glennerster and colleagues find that the equity objectives of the system for funding primary health care are much more accepted and understood than the systems for schools and social housing. The NHS funding system is based on more detailed data and more sophisticated techniques, but is also less politicised in terms of local interests. (Section 8e).
- Tania Burchardt, John Hills and Carol Propper develop a new way of analysing the changing roles of public and private welfare activity, distinguishing between finance, provision and control. They show that the change in welfare mix has been slower since the 1970s than might have been expected. They show that past use of a private service is a strong predictor of future use, and that those using one private service were more likely to use another. However, there is no evidence of a sizeable 'private welfare class', opting out of state welfare entirely. Examining the relationship between the sectors, they suggest that residualised services are unlikely to command the support of the majority, and that privately purchased add-ons can help maintain a consensus on the importance of publicly-funded services. (Section 9a).
- Analysing recent pension reforms, Phil Agulnik shows that they are redistributive towards those with low earnings. However, Katherine Rake, Jane Falkingham and Martin Evans show that the structure and level of the new State Second Pension creates a 'tightrope' of falling income in retirement and a 'tripwire' through low entitlement during non-employment which will leave many dependent on (or failing to claim and below the level of) means-tested benefits. (Section 9e).
- Reviewing the findings on dynamics and evidence on policy intervention, John Hills rejects a simple distinction between 'passive' and 'active' policies. He suggests that policy can be thought of as having four aims: reducing the risk of adverse events (prevention); increasing the chances of exit from adverse states (promotion); reducing the impact of adverse events (protection); and increasing the positive effects of exit from

adverse states (propulsion). The fourth of these is often neglected. He suggests that a test of policy is whether it is acting across all four domains. (Section 9b).

- Ruth Lupton shows that effective action on neighbourhood conditions involves two factors: a neighbourhood focus and the willingness of agencies to share responsibility and decision-making with residents. (Section 6b). Anne Power and Emmett Bergin show that ‘neighbourhood management’ can be successful and cost-effective in difficult urban areas. Successful models require: a clear staff structure with a manager in charge locally; an identified budget under local control; local authority and other service backing from above; clearly defined remit; permanent and mainstream funding; involvement of other services, particularly the police. (Section 10b).
- Ruth Lupton shows that in some low income areas schools can adopt successful ‘marketing’ strategies to attract a more balanced intake. Others are making organisational changes to offset the impact of deprivation, including home-school liaison offices, discipline patrols, class sizes, and contact hours. (Section 9d).
- Liz Richardson analyses a training and small grants programme for community groups run with the National Tenant’s Resource Centre at Trafford Hall. She shows this combination has been successful in generating learning, a ‘ripple effect’, motivation and confidence, practical ideas, networks, and new activities. (Section 10b).
- Jake Elster shows that local cycling projects in low income areas can generate a wide range of outcomes related to social exclusion and that these can generate wider support than the conventional approach of promoting cycling as transport. (Section 10b).

1. INCOME MOBILITY: PATTERNS AND ANALYSES

In the four years since CASE was established, there has been a large increase in the interest in, and knowledge about, income dynamics in the UK. CASE has played an important role in both the production and dissemination of this knowledge and in switching the policy focus from income levels to dynamics.

John Hills¹ surveys the trends in income and wealth distribution between the beginning of the first Thatcher administration to Labour's election to government. Income inequality was greater in the early 1990s than it had been at any time in the previous forty years. He identifies a set of factors that lie behind these trends. These include the gap between high and low pay, the decline in the importance of the unions, the rise in the number of workless households and the price-linking of benefits. Between 1992 and 1994 several of these factors changed. Earnings differentials did not widen much, unemployment fell, real earnings grew little, and the falling proportion of pensioners fully dependent on state benefits continued to reduce the number of pensioners with low incomes. As a result the rapid growth of inequality seen in the 1980s halted. He investigates the robustness of these trends to the definitions of income used in poverty and inequality analyses, including: the treatment of housing; differences between income and spending; the social wage; relative needs of different family types; and sharing within the family.

He also examines income mobility. He points out that new data confirm that those poor in any one year are not necessarily poor the next, but that concerns about the widening cross-sectional distribution cannot be dismissed on the grounds they are offset by mobility. Income mobility is mostly short range. Allowing for life-cycle movements and the fall in inflation, earnings mobility appears to have fallen since the 1970s. Further, mobility in and out of poverty is quite different from that which would occur if individuals moved at random. In other words, individual heterogeneity is important and there is considerable persistence in low incomes despite year-to-year mobility.

A later survey brought together by CASE and HM Treasury updates these results. Analysis of longer runs of panel data for the UK by Jenkins² confirm the pattern of some income mobility, but that this mobility is primarily short range. Oxley³ put these findings into international context and shows that Britain appears to be less mobile than Germany and Canada, and similar to the USA. Burgess and Propper⁴ update these findings using the most recent data available.

Karen Gardiner and John Hills⁵ develop a method of examining income trajectories of individuals. As an alternative to a transition matrices approach, we classify individuals into a set of income trajectory types depending on the evolution of household income over time. Using the British Household Panel Survey (BHPS) for its first four years, we define five types of trajectory: flat, rising, falling, 'blips' and others. Our results reinforce the idea of

¹ J. Hills (1998) *Income and Wealth: The latest evidence*, Joseph Rowntree Foundation.

² S. Jenkins (1999) 'Income dynamics' in *Persistent Poverty and Lifetime Inequality: The Evidence*, CASEreport 5.

³ H. Oxley (1999) 'Poverty dynamics in four OECD countries', CASEreport 5, *op.cit.*

⁴ S. Burgess and C. Propper (forthcoming) 'The dynamics of poverty in Britain', in J. Hills, J. Le Grand, and D. Piachaud (eds.) *Understanding Social Exclusion*, OUP.

⁵ K. Gardiner and J. Hills (1999), 'Policy Implications of New Data on Income Mobility', *Economic Journal* 109:F91-F111.

substantial income mobility in general: only 40 percent of the population have an income profile over 4 years that is ‘flat’. However, we show that this does not mean that all poverty is transient and therefore of little concern to policy makers. We show that 43 per cent of poverty years are spent in the ‘poor flat’ income trajectories and a further 24 per cent are spent ‘blipping out of poverty’ or in ‘repeated poverty’. Table 1.1 shows the distribution of trajectory types by initial characteristics. It is clear from the table that different individuals have very different experiences of poverty trajectories. More than half of lone parents and children fall into the ‘poor flat’ or ‘problematic poor’ groups, but only 14 percent into the ‘less problematic poor’. By contrast, single pensioners, while also likely to be in the poor flat group, are more likely to be in the ‘less problematic poor’ than lone parents. The table also shows that poverty trajectories are clearly associated with housing tenure and, through this, with wealth.

Table 1.1: Trajectory Types and Initial Characteristics

		15 percentile criterion for movement % of cases			
		Poor flat	Problematic poor*	Less problematic poor†	Non-poor
All		8.7	12.3	13.5	65.7
Gender	Female	10.2	13.0	13.3	63.3
	Male	7.1	11.2	13.7	68.2
Family type	Single with children	27.1	26.8	13.6	32.2
	Single pensioner	21.0	14.0	21.4	43.5
	Pensioner couple	13.3	9.5	12.3	65.0
	Couple with children	6.9	14.0	12.3	66.9
	Single	2.9	9.2	16.0	71.9
	Couple, no children	2.3	6.2	10.9	80.7
	Economic Status	Head/spouse unemployed	30.0	26.8	23.4
	Other	23.5	27.9	15.4	33.2
	Head/spouse 60+	18.8	12.2	18.5	50.7
	Part-time worker	12.2	19.3	23.8	44.8
	Self-employed	4.5	16.4	19.3	60.0
	Full-time worker	1.3	6.6	7.6	84.5
Housing tenure	Council tenant	23.0	19.1	17.6	40.2
	Housing association tenant	14.9	17.3	24.7	43.1
	Outright owner	10.6	12.3	12.6	64.6
	Private tenant	7.4	17.9	18.1	56.8
	Mortgagor	2.2	8.6	10.7	78.6

Note:

*Falling into poverty, blip out of poverty and other repeated poverty

† Rising out of poverty, blip into poverty and other one-off poverty.

Source: Gardiner and Hills (1999). First four waves of BHPS.

Simon Burgess and Carol Propper⁶ put forward a structural economic model to explain household income dynamics (and so also poverty dynamics). We argue that an economic model of household income is the result of a mix of individual decisions taken in a household context. These decisions include labour supply decisions (whether or not to participate, how many hours to supply conditional on participation) and decisions on household formation (e.g. forming or dissolving a household, having children). We propose a framework for modelling household income dynamics that emphasises the primacy of these processes in the

⁶ S. Burgess and C. Propper (1998) *An Economic Model of Household Income Dynamics, with an Application to Poverty Dynamics among American Women*, CASEpaper 9. London: LSE.

evolution of household income for an individual. Such an approach allows standard economic theory (of labour supply, marriage and fertility decisions) to address the issues of household, as distinct from individual, income dynamics.

Instead, we offer a framework and embed this in a simple model of behaviour that captures the main factors involved. The components of this framework are individual decisions over labour supply, household formation and dissolution and fertility. We derive transitions from these individual decisions and then estimate a simple version of this approach to investigate the very different experiences of poverty of young black and white American women. (When this research was undertaken, the UK household panel data were of insufficient length to undertake this analysis). We do not attempt to deal with all the complex econometric issues, but estimate models based on recent analyses of labour supply, fertility and marriage and divorce. We conclude that while all transition rates matter in determining poverty dynamics, differences in the rates of marriage across black and white women appear to be the most important factor in determining the different poverty experiences of these two groups. We also conclude that transitions between different states (the probabilities of cohabiting or marrying, of being employed, and of having a child) appear to be more important than the individual's situation in early life. In particular, the higher probability of getting married amongst white than black women is an important determinant of the differences in poverty between white and black women. Getting married (or cohabiting in a stable relationship) gives women access to another source of income, so lifting low income women out of poverty.

Economists and sociologists have traditionally taken different approaches to the measurement and analysis of income and income mobility. Economists typically classify individuals according to their position in an earnings or income distribution and then track their progress in the distribution through time. Some studies use unadjusted measures of earnings or income but in an attempt to identify longer term differences between individuals, more sophisticated analyses seek to identify permanent and transitory components. Sociologists typically use social class as a measure of individuals' position in society and of permanent differences in life-chances. Studies of mobility look at intra- and inter-generational social mobility. Abigail McKnight and John Goldthorpe are currently working on a project which draws together economic and sociological approaches to the measurement and analysis of inequality and mobility. This study utilises a long panel of earnings (the New Earnings Survey Panel Dataset) spanning over 25 years and employs the new National Statistics Socio-economic Classification (NS-SEC). The NS-SEC is effectively a new realisation of Goldthorpe's class schema and Abigail McKnight is part of a team of social scientists working on the validation of the new social classification⁷.

⁷ A. McKnight and P. Elias (forthcoming) 'Empirical variation in employment relations and conditions: validating the new social classification', and P. Elias and A. McKnight 'Earnings, unemployment and the new social classification' both in D. Rose and D. Pevalin (eds) *The National Statistics Socio-economic classification: An introduction for Researchers*, SAGE.

2. SPECIFIC ANALYSIS OF INCOME DYNAMICS

(a) Reactions to shocks

Analyses of income mobility show that job gain and job loss of household members is an important component of transitions into and out of poverty⁸. But while we know that being unemployed is an important predictor of poverty status and transitions, much less is known about the relationship between individual's incomes and aggregate unemployment. In one examination of this general issue, Simon Burgess and colleagues⁹ examine the impact of early career labour market conditions on later unemployment. There are a number of ways that early career experience might affect later employment. First, it could be the case that people suffering unemployment when young are permanently blighted. Second, the effects of initial experiences may wash out after some interval. Third, there may be heterogeneity in outcomes: high ability individuals may be unaffected, while low ability individuals may face considerable adverse consequences.

We investigate this by creating pseudo-cohorts from the Labour Force Survey that span nearly two decades (1981-1997). By taking cohort averages and assuming the same distribution of unobservables within each cohort, this approach sidesteps the issue of heterogeneity versus event dependence. Each cohort is composed of individuals in three-year age bands. Given that age, cohort and time are perfectly linearly dependent, to determine the impact of cohort the following identifying assumption is made: that the effect of the business cycle is separable and so impacts on all ages and cohorts in the same proportionate way. Given this, the unemployment rate of each cohort-age cell is normalised by the aggregate unemployment rate at that date. Cross-cohort variation in unemployment at school leaving age is exploited to identify the impact of early unemployment on later employment. We find that high aggregate unemployment when a cohort is aged 16-18 has mixed effects on subsequent unemployment. Table 2.1 shows the impact of different early career unemployment rates on later unemployment and shows the differential impact for low skilled individuals, particularly for women. For low skilled individuals there appears to be a lasting adverse effect. The effect is of the order of one percentage point on the cohort unemployment rate. In contrast, for high and mid-skilled individuals, the table shows a fall in subsequent unemployment rates. It is possible that adverse economic conditions may have encouraged some individuals to delay school leaving age to avoid unemployment and gain qualifications to make them more employable later.

⁸ S. Jarvis and S. Jenkins (1997) 'Low income dynamics in 1990s Britain', *Fiscal Studies*, 18(2); H. Oxley (1999), *op. cit.*

⁹ S. Burgess, C. Propper, H. Rees and A. Shearer (1999) *The Class of '81: The effects of early-career unemployment on subsequent unemployment experiences*, CASEpaper 32. London: LSE.

Table 2.1: Impact of different early-career unemployment rates on later unemployment

Group	Average Unemployment rate (%)	Change (% points)
Men – mid-level qualifications	8.13	-0.46
Men – no qualifications	13.15	1.00
Women – mid-level qualifications	12.10	-1.74
Women – no qualifications	26.92	1.36

Note: The average unemployment rate is computed for the 28-30 age group, using the sample average aggregate unemployment rate (9.28%) as the early-career unemployment rate. The third column quantifies the effect of a one standard deviation increase in unemployment between 16-18 (about two percentage points).

In a second examination of this issue, Simon Burgess, Karen Gardiner and Carol Propper¹⁰ investigate the links between individual poverty status and aggregate unemployment, focusing on Britain in the 1990s. We begin with a puzzle: aggregate unemployment, variously defined, and aggregate poverty (variously defined) are not related in any linear fashion. To try to sort out this problem, we examine the relationship between aggregate poverty and unemployment (a measure of the cycle) at two levels - the aggregate and the individual. The paper focuses on four questions. Firstly, why do we not observe aggregate poverty and unemployment rates moving together over time? Secondly, why do we find that the relationship between poverty and aggregate unemployment varies across different socio-economic groups in the population? Thirdly, what individual and household characteristics are found to be important for whether an individual's poverty moves with, against or independently of aggregate unemployment and, finally, is responsiveness to the cycle beneficial?

We develop a general analytical framework and apply it to the working age population in Britain during the first six years of the 1990s using data from the British Household Panel Survey. In the main, we use a relative poverty definition and the ILO measure of unemployment, although our methods are also applied to alternative commonly used definitions. The framework expresses the individual's poverty risk as a function of three key propensities: the probability of being unemployed (average value of 6 per cent in the sample), the probability of being poor when not unemployed (10 per cent), and the additional probability of becoming poor on becoming unemployed (what we call the 'poverty gap') (23 per cent). From this we predict values for these for each adult in every year and then estimate individual parameters of how each propensity moves with aggregate unemployment. From this we can derive an expression for how much poverty changes when aggregate unemployment goes up or down, in terms of these estimated parameters. This we denote the 'Calculated Response of Poverty to Unemployment' (CRPU).

In responding to the first question – why there is such a weak link between aggregate poverty and aggregate unemployment – we calculate the value of the CRPU for all observations in the sample aged 16 to 55. Using an ILO measure of unemployment and a relative definition of poverty we find a low value that translates into an elasticity of poverty with respect to unemployment of 0.13. For a doubling of the unemployment rate from 5 per cent to 10 per cent, this implies just a one-percentage point rise in the poverty rate. When this is broken down into the contribution of the different parameters we find that on average there is indeed a substantial increase in individual poverty risk on becoming unemployed, but this drops as

¹⁰ S. Burgess, K. Gardiner, and C. Propper (2001) *Why rising tides don't lift all boats? An explanation of the relationship between poverty and unemployment in Britain*. CASEpaper 46. London: LSE.

aggregate unemployment rises. Hence, in the main, increases in aggregate unemployment are not converted into higher aggregate relative poverty.

We also examine different groups in the population. We show that there is considerable variation across the groups in how much their poverty responds to aggregate unemployment, as measured by the group values of the CRPU. One particular parameter is found to be influential in driving these differences: the extent to which the chances of being poor when *not* unemployed move with aggregate unemployment. Interestingly, this suggests the groups whose poverty responds to aggregate unemployment are those who experience cyclical fluctuations in household income when *in work*.

To understand what characteristics are associated with high or low values of CRPU and its components, the remaining analysis focuses on individuals. We find that both individual and household factors influence how an individual's poverty fluctuates with aggregate unemployment. Individuals whose poverty is strongly associated with the cycle (either positively or negatively) are younger and live in households with fewer workers and more non-workers and children. When we explore the contribution of the separate components of the CRPU, we find that the major determinant of the overall relationship between poverty and the cycle is not, as one might expect, the chances of becoming unemployed, but the measure of how much the poverty risk when *not* unemployed moves with aggregate unemployment. We examine the individual level relationship between the overall response to poverty and its component parameters. The component parameters are those derived from the three estimated relationships that link unemployment (the cycle) to poverty transitions. Whichever definition of poverty is used, the relationship between the individual response of poverty to aggregate unemployment is closely related to the impact of the aggregate unemployment on the probability of being poor for individuals who are not themselves unemployed. The relationship between the other two estimated parameters (respectively, the impact of aggregate unemployment on the probability of the individual being unemployed and the response of the 'poverty gap') and the response of individual poverty to the cycle are considerably less clear. These individual level analyses confirm the group-level findings: the people who experience more variation in poverty when unemployment rises and falls are those whose in-work household income is more cyclical.

Finally, we focus on those who fare better – can we say poverty tends to be lower for those who benefit from booms or those who are protected from recessions? When we examine the average poverty for different values of the CRPU we find a clear picture. Those who are largely protected from the cycle fare best: individuals in households with more workers, less children and whose households remain intact during the time we observe them. Conversely, those individuals whose poverty moves strongly with or against aggregate unemployment are most likely to be poor, suggesting that strategies to reduce poverty of households may also reduce responsiveness of household incomes to the cycle.

While unemployment is a source of risk for individuals, our research indicates that the actions of household members have an effect or how this risk affects individuals. More generally, we argue that much of the literature on income risk provides an unduly narrow perspective on what the potential sources of income risk are, and therefore also on who experiences risk. Simon Burgess and colleagues¹¹ show how to derive income measures that

¹¹ S. Burgess, K. Gardiner, S. Jenkins, and C. Propper (2000) *Measuring Income Risk*, CASEpaper 40. London: LSE.

take into account demographic events and provide new evidence about the contribution to an individual's income risk of demographic compared to labour market factors.

At the heart of the paper are analyses of the determinants of household income risk. We show how analysts' choices of the predictable factors that determine the income generation process affect estimates of an individual's income risk, and of its heterogeneity across the population.

The paper also examines the importance of demographic factors to income risk. Much research has derived measures using methods that incorrectly condition upon demographic events (even though these are themselves a source of income variation). We aim to measure the contribution of demographic factors to income risk and contrast it with the contribution of labour market factors (the conventional focus). We find that both labour market and demographic factors are associated with the household income variability experienced by individuals. While on average the importance of demographic factors for total income risk is less than that of labour market factors, for some sub-populations demographic factors are associated with a high proportion of their income variability. Individuals who live in intact households experience significantly less income variability than those who live in non-intact households. Table 2.2 shows the relationship between demographic and labour market risk for different individuals. The first row of the table indicates that over a third of the individuals in the sample have a higher level of demographic risk than labour market risk. Around half experience relatively greater labour market risk and one seventh have equal amounts of risk (both equal to zero). When we break these figures down by age, income and gender (the lower part of the table), we can see that younger individuals experience more demographic risk than older ones and lower income individuals experience more risk attributable to labour market events than richer individuals. On the basis of these results, we conclude that demographic risk is associated with a considerable proportion of total income risk and that it is time to change the conventional focus from labour market risk.

Table 2.2: Is demographic risk greater or less than labour market risk?

Characteristics	Number in subgroup as percentage of all individuals	Percentage of individuals with		
		Demographic risk > labour market risk	Labour market risk > demographic risk	Demographic risk = labour market risk (= zero)
<i>Age</i>				
30 & under	27	37	25	5
31-50	34	43	33	12
51-65	19	12	25	18
66+	20	8	17	66
<i>Sex</i>				
Male	46	49	45	36
Female	54	51	55	64
<i>Household average income quintile group*</i>				
Group 1	18	9	17	43
Group 2	21	16	23	27
Group 3	20	22	21	11
Group 4	21	27	19	8
Group 5	21	25	20	11
Overall row percentages (=100%)		38	48	14

Notes: *The share of the sample belonging to each of the household income quintile groups is not exactly one fifth because of the quintile groups were created prior to the exclusion of adults with less than four income observations.

(b) Disability dynamics and early retirement

A number of related pieces of research examined what happens to income and employment when individuals become disabled, or near the end of their working lives.

Tania Burchardt's work, funded by the Joseph Rowntree Foundation, begins by examining the level and composition of disabled people's incomes, compared to their non-disabled counterparts.¹² She finds over half of all disabled people of working age are in the bottom two-fifths of the overall income distribution, and that a significantly higher proportion of income comes from state benefits, even for those in employment. Allowing for the extra costs which some individuals incur as a result of their disability increases the over-representation of disabled people in low income categories, and reveals a complex relationship between severity of impairment and poverty. Those at greatest risk have impairments in the middle range of severity: they are less likely to be in employment than the least severely impaired, but also less likely to receive 'extra costs' benefits from the state than the most severely impaired.

Building on the insights gained from looking at the cross-sectional picture, the research goes on to examine some of the key transitions affecting disabled people. The first of these is the transition from being non-disabled to being disabled, or vice versa.¹³ While "the disabled" are often thought of as a static population, analysis of the British Household Panel Survey (BHPS) shows considerable movement between disability statuses, especially for those reporting mental health problems. Of those who are 'limited in activities of daily living' at

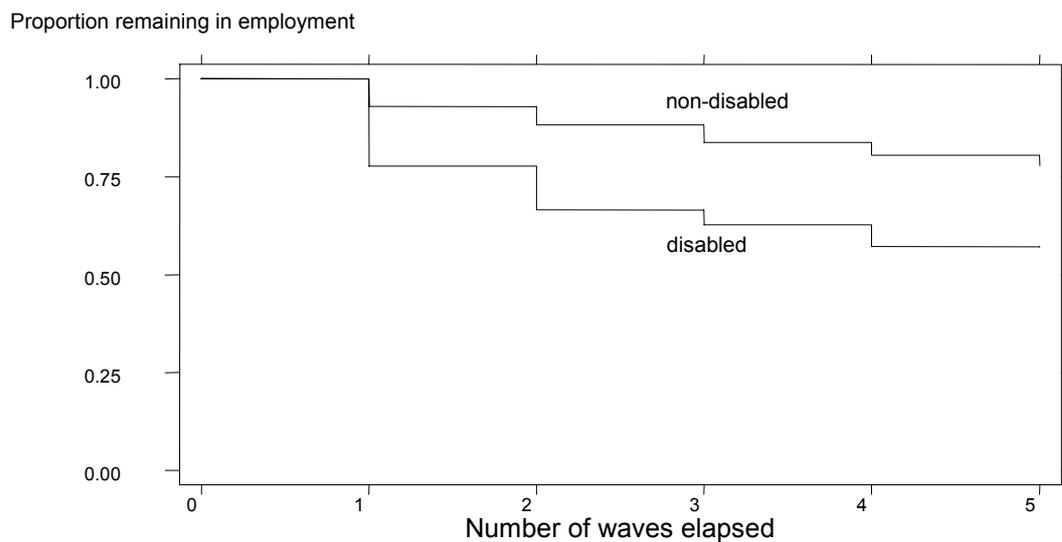
¹² Burchardt, T. (2000a) *Enduring Economic Exclusion: disabled people, income and work*, Joseph Rowntree Foundation.

¹³ Burchardt, T. (2000b) 'The Dynamics of Being Disabled', *Journal of Social Policy*, 29(4): 645-668.

any one time, one-quarter are likely to experience spells of disability lasting 3 years or less. On the other hand, a smaller group of long-term disabled individuals account for a high proportion of total observations of disability. This is a common finding in dynamic analysis, but not one which has previously been investigated with respect to disability.

Movements into and out of employment are important in terms of the impact on individual and household income, and more broadly in terms of social inclusion. Disabled people in work consistently report higher incomes, higher levels of leisure activity and less social isolation than those out of work, even after controlling for age and severity of impairment. However, as Figure 2.1 shows, 1 in 5 employees who become disabled while in work leave employment within a year. Those in manual occupations or with mental health problems are at greatest risk. Once out of work, re-entry to employment is difficult and risky: disabled people out of work are one-sixth as likely as non-disabled people to move into work, and 1 in 3 of those who are successful are out of work again by the following year. The results serve to underline the importance of addressing job retention, as part of an overall ‘welfare to work’ strategy.

Figure 2.1: Employment retention by whether becomes disabled (Kaplan-Meier survival estimates)



The causes of economic disadvantage among disabled people are complex but the research suggests they could be grouped under three broad headings. Firstly, there are some impairment-specific barriers: those with more severe impairments, and those with mental health problems, are consistently more likely to suffer exclusion both from the labour market and from other forms of participation. Secondly, a higher proportion of disabled people than the population at large have characteristics generally associated with economic disadvantage: low or no qualifications, living in social housing, and weak links to the labour market. These feed through into lower employment rates and greater poverty, but are not necessarily directly related to disability. Thirdly, the gap between advantage and disadvantage for disabled people is in many cases larger than for their non-disabled counterparts: having no qualifications is a greater disadvantage if you are also disabled, for example, and downturns in the economic cycle have greater adverse consequences. All three sources of disadvantage need to be tackled if opportunities for disabled and non-disabled people are to be equalised.

Nigel Campbell, on leave from HM Treasury, spent his time as a CASE User Fellow conducting a detailed examination of the processes of withdrawal of older workers from the labour market.¹⁴ This was a very timely piece of research and fed directly into the design of the New Deal for 50 plus, and into the Performance and Innovation Unit's report on active ageing.¹⁵

Analysis of the Labour Force Survey and British Household Panel Survey shows that two-fifths of men aged between 55 and 65 were without work in 1997, compared to one-fifth in 1979. Female employment has risen substantially overall, but women over 55 have not shared in this increase. Moreover the decline in male employment is part of an ongoing trend, with each successive generation of men less likely to remain in work than previous ones. The hypothesis that the problem affects one particularly unfortunate generation of men, whose skills have become obsolete in a rapidly changing labour market, is not supported by the data.

Two distinct groups with high probability of leaving employment are identified: those with above-average earnings and an occupational pension; and those with earnings in the bottom quarter of the distribution. After leaving employment, both groups tend to become progressively less attached to the labour market. While some are initially unemployed and others moved to self-employment or other work, over a six year period the majority come to categorise themselves as economically inactive (retired or long-term sick).

The study concludes that the two groups needed different policy responses. High earners with occupational pensions are probably leaving voluntarily: they are 50 per cent more likely to leave employment in their late 40s or 50s than their counterparts without occupational pensions. (There may also be a push factor: pensions related to final salary become increasingly expensive for employers as employees age). The tax rules encourage and indeed subsidise this. By contrast the other group at high risk of leaving employment are probably doing so involuntarily, or as a result of constrained choices. Low earning older men are more likely to be working in shrinking industries. Those who have been made redundant or taken early retirement typically face a "pay gap" between their previous wages and their (significantly lower) potential earnings in a new job. Thus re-entering employment may be both difficult and unattractive.

(c) Inequality in the labour market: the long run view

The rise in earnings inequality in the UK since the late 1970s is now well documented. Real wage increases for the lowest paid workers have not kept pace with the large increases in wages of the highest paid workers and, thus, the relative earnings of low paid workers has deteriorated substantially over time. While this increase in inequality is cause for concern, as increases in earnings inequality lead through to increases in income inequality and can put pressure on social cohesion, from a welfare perspective increased earnings inequality may not be all bad. If an increase in earnings inequality is accompanied by an increase in aggregate employment this may be more desirable than a more equal distribution of earnings with lower levels of employment. Likewise if an increase in dispersion is joined with an increase in

¹⁴ N. Campbell (1999) *The Decline of Employment Among Older People in Britain*, CASEpaper 19. London: LSE.

¹⁵ Performance and Innovation Unit (2000) *Winning the Generation Game: improving opportunities for people aged 50-65 in work and community activity*. London: The Stationery Office.

earnings mobility, longer-term measures may indicate that this is an improvement to a situation where the earnings distribution is more compressed but mobility is limited.

Trends in mobility and longer-term earnings and labour market inequality were the subject of an ongoing study conducted by Abigail McKnight.¹⁶ Using a panel of individual level data on earnings and employment covering a period of 21 years she shows that the rise in cross-sectional earnings inequality was accompanied by an increase in longer-term earnings (lifetime) inequality due to a fall in mobility. Lower mobility means that differences in the earnings of individuals are now more indicative of ‘permanent’ inequalities than in the past. Falls in mobility, and hence increases in longer-term earnings inequalities, are less evident among female employees. It would appear that women’s position in the earnings distribution improved between 1975 and 1997 and for some this was characterised by improved upward mobility.

One difficulty with measuring longer-term earnings inequality is the necessity to restrict the sample to individuals who have repeat earnings observations over a number of years. This naturally leads to the exclusion of individuals with intermittent employment. We know from a range of studies that low paid workers are more likely to experience unemployment and non-employment than higher paid workers and so this restriction inevitably leads to a sample of individuals which is unrepresentative. On aggregate the selected sample is characterised by lower levels of earnings inequality and higher earnings mobility. A preliminary attempt to overcome some of these issues was explored by widening the concept of inequality to that of labour market inequality achieved by incorporating a measure of unemployment into the measure of earnings inequality. Further extensions to this work and contrasts between economists’ and sociologists’ approaches to describing and measuring lifetime earnings are in progress.

If we take an even longer run view – moving from intra- to inter-generational - we become interested in how labour market inequalities perpetuate across generations through the influence of family background factors on individuals’ subsequent success in the labour market. This is the subject of a separate study (conducted by Abigail McKnight and colleagues) which compares the experience of two birth cohorts, born 12 years apart, as they negotiated the transition from school to work from the age of 16 to their early to mid-twenties.¹⁷ The study finds that young people from low-income households typically leave school earlier and with lower levels of academic qualifications than young people from higher income households. Their transition into the labour market is often punctuated with spells of unemployment and periods on youth training programmes. Young women from low-income families are much more likely to withdraw from the labour market entirely and start a family. The cumulative effect of all of these factors is evident in labour market outcomes measured in the early to mid-twenties. Children from lower income households carry this penalty into their young adult lives in the form of lower employment rates and, for those who are in employment, lower earnings. Comparison between the two birth cohorts, one born in 1958 and the other born in 1970, reveals that these penalties did not diminish over time as educational attainment increased. Instead the employment and earnings penalties show signs of increasing and differences in educational attainment explain less of the differences in outcome between income groups.

¹⁶ A. McKnight (2000) *Trends in earnings inequality and earnings mobility, 1977-1997: The impact of mobility on long-term inequality*, Employment Relations Research Series No. 8, Department of Trade and Industry.

¹⁷ J. Bynner, P. Elias, A. McKnight, H. Pan and G. Pierre (forthcoming) *Young people in transition: pathways to employment and family life* (title to be confirmed), Joseph Rowntree Foundation.

(d) Combined impacts of family, school and area

In related work which links several of CASE's main themes, Simon Burgess, Karen Gardiner and Carol Propper also explored the relationship between adult economic outcomes and three key influences during adolescence: schooling, family background and local area.¹⁸ We use a rich dataset, the US National Longitudinal Survey of Youth, to test out how these background factors may impact, separately and together, in their contribution to later earnings and poverty for young adults in the US. This research is in part aimed to develop techniques which could be applied to UK data if longitudinal datasets become available including area-identifiers.

We find that in general, family, school and area (US county) characteristics when analysed separately each exhibited significant associations with men's and women's outcomes in later life. Family factors are found to have the strongest explanatory power, with schooling variables being the next most important, and area having the smallest effect. However, given that we expect the characteristics of individuals' families, schools and areas to be correlated it is important to re-estimate the effects within a combined model. This ranking of the importance of each background influence remains when jointly controlling for all factors. However, in explaining the variance of long run adult outcomes, area adds significantly over and above family and school factors only in the case of men's poverty. Hence there is strong correlation between the characteristics of the areas where people live and those of the family and school. These results provide evidence that the advantage or disadvantage associated with family background is currently compounded by young people's experience of school and, in some cases, the local area where they grow up.

(e) Women's earnings and the impact of children

The impact of children on women's earnings has long been a subject of interest in the UK. In joint work with City University, Jane Waldfogel examined the impact of children on women's wages using data from the National Child Development Study (NCDS).¹⁹ Our study stands out from prior research in its innovative methodological approach to the problem of the selection of women into motherhood and into part-time work. We find that even after controlling for these selection factors, children are associated with lower wages for mothers. However, we find that the negative effects of children on women's wages are found only among women who break their employment after childbirth. Women who return to their pre-birth employers after childbirth, in contrast, have wages that are comparable to women who never had children at all. This finding suggests that maternity leave provisions may play an important role in mitigating the negative effects of children on women's wages.

In a related paper Susan Harkness and Jane Waldfogel²⁰ use microdata on employment and earnings from the data archive at the Luxembourg Income Study supplemented by a Swedish dataset (the Swedish Level of Living Survey) to investigate the family gap in pay - the differential in hourly wages between women with children and women without children. We present results from seven countries that represent the three major types of social welfare

¹⁸ S. Burgess, K. Gardiner and C. Propper (2001) *Growing up: School, family and area influences on adolescents' later life chances*, CASEpaper 49.

¹⁹ H. Joshi, P. Paci and J. Waldfogel (1999) 'The Wages of Motherhood: Better or Worse?' *Cambridge Journal of Economics*, 23 (5): 543-564.

²⁰ S. Harkness and J. Waldfogel (1999) *The Family Gap in Pay: Evidence from seven industrialised countries*, CASEpaper 30. London: LSE.

regime: Australia, Canada, the United Kingdom, and the United States from the Anglo-American group; Germany from the Continental European group; and Finland and Sweden from the Nordic group.

We find that there is a good deal of variation across the sample countries in the effects of children on women's employment and in the effects of children on women's hourly wages even after controlling for differences between women with and without children in characteristics such as age and education. The largest pay effects of children are found in the UK, and the smallest in the Nordic countries. We also find that the variation in the family gap in pay across countries is not primarily due to differential selection into employment or to differences in wage structure across countries. We suggest that future research should examine the impact of family policies such as maternity leave and child care on the family gap in pay.

3. DISTRIBUTIONAL STRUCTURE

(a) Comparing mobility patterns

Income mobility and child poverty dynamics are the subjects of a series of papers by Chris Schluter and colleagues which make both empirical and methodological contributions.

A first paper²¹ provides a comparative empirical investigation and a statistical description of how income evolves over time. Using standard measurement tools we find that, contrary to received wisdom, Germany often exhibits a larger extent of mobility than the USA. In a second paper²² we show, however, that this result is driven by the implicit statistical properties of the standard measurement tools (“measures of distributional change”): these place large weights on the lowest income groups, and poverty is more quickly overcome in Germany than in the USA. It is therefore important to examine how the income distribution changes throughout the income range, rather than just relying on a single number (the value of the mobility index). The paper provides the tools necessary for this task. In further work²³ we show that many popular mobility measures have a similar structure, at least approximately, which consists of (i) a term capturing distributional change, typically in the form of the difference between a reference distribution and time-averaged income, (ii) a weighting function, and (iii) a linear aggregation rule. In short, these measures can be written as integrated weighted distributional change. We examine the implicit welfare properties of some popular measures, which turn out to be measures of distributional change.

Three further papers²⁴ (all joint with Stephen Jenkins) are empirical examinations of various aspects of child poverty. Focussing first on poverty transitions, we find that child poverty exit rates were significantly lower, and poverty entry rates significantly higher, in Britain than in Germany. We decompose these cross-national differences into differences in the prevalence of 'trigger events' (changes from one year to the next in household composition, household labour market attachment, and labour earnings), and differences in the chances of making a poverty transition conditional on experiencing a trigger event. It is the latter which are most important in accounting for the cross-national differences in poverty exit and entry rates. Investigating income effects on educational attainment of children in Germany, we find that early income is relatively more important than contemporaneous income for the determination of the educational outcome of the child, but the income effect conditional on parental education is small. The large unconditional income effect, observed for many countries, may therefore be capturing other factors and so overstate the impact of income.

²¹ C. Schluter (1998) *Income mobility in the USA, Germany and the UK: Evidence from panel data* CASEpaper 8. London: LSE.

²² C. Schluter and M. Trede (2001) *Local vs global measurement of mobility*, Bristol University Working Paper.

²³ C. Schluter, M. Trede and D. Van de Gaer (2001) *Mobility as distributional change*, Bristol University Working Paper.

²⁴ S. Jenkins, C. Schluter and G. Wagner (2001), *The dynamics of child poverty: Britain and Germany compared*, Working Paper 233, DIW-Berlin, Dec 2000 (forthcoming in *Journal of Comparative Family Studies*). S. Jenkins and C. Schluter (2001) *Why are child poverty rates higher in Britain than in Germany? A longitudinal perspective*, ISER Working Paper 2001-16; S. Jenkins and C. Schluter (2001) *Does low income in early childhood affect adolescent school attainment: Evidence from the German Socio-Economic Panel*, Report to the Anglo-German Foundation.

(b) Perceptions of inequality

In *Thinking about Inequality*²⁵ Frank Cowell and Yoran Amiel present some of the key results from experimental work on the way in which individuals view income distributions. Using an international sample of several thousand students we found that a large proportion of individuals reject some of the standard assumptions that are used in economics and other social sciences as the basis for comparing income distributions – the Lorenz curve and related tools. In particular people reject the standard version of the “principle of transfers”. For changes in the distribution involving the richest or the poorest, people’s views are roughly in conformity with economic orthodoxy, but for cases involving middle-income groups individuals’ views violate the transfer principle and they take into account more detailed information about the structure of the income distribution in making inequality comparisons. Similar results are found for poverty comparisons, casting doubt on the appropriateness of some of the more sophisticated types of poverty indices that have been developed over the last twenty years. The results are remarkably consistent across countries. The key factor that influences whether or not individuals’ views correspond with standard economic assumptions is their special subject at University: economics specialists are more likely to be predisposed towards orthodox approaches.

In joint work Frank Cowell investigates the relationship between inequality perceptions, risk perceptions and income level. The parallel shows that whilst the pattern of perceptions varies considerably with income level in the case of inequality, this does not happen with risk.²⁶ A further joint paper examines the role of laboratory questionnaire-experiments and recent applied empirical research on attitudes in understanding the relationships between people’s perceptions of inequality and their perceptions of risk.²⁷ Risk is considered in three interpretations: in vacuo, in day-to-day life and in the original position and show that the identification in the abstract between inequality and risk-orderings or between social welfare and individual choice under risk is too simplistic: the evidence suggests that the context of risky situations may be of central importance to an analysis of the relationship between inequality and risk and that there are systematic differences between the two types of distributional judgements in the abstract.

(c) Measurement and inference issues

In a series of papers we explore technical measurement and statistical issues, particularly those which arise when using imperfect or limited data, especially longitudinal data. Frank Cowell and Chris Schluter examine the sensitivity of leading income mobility measures to the presence of measurement error contaminations.²⁸ We find that the contaminations can have an unbounded influence on single-stage indices – those that are applied directly to sample data. These measures are, in principle, non-robust. Two-stage measures of mobility – where the distribution is first discretised by means of a transition matrix prior to the application of the mobility index – are robust if the discretisation is. Simulation evidence for the likely extent of the contamination biases in practice (caused by a small proportion of

²⁵ F. A. Cowell and Y. Amiel, (1999) *Thinking about Inequality*, Cambridge University Press

²⁶ Y. Amiel, F. A. Cowell, and A. Polovin (2001) “Risk Perceptions, Income Transformations and Inequality” *European Economic Review* 45, 964-976

²⁷ F. A. Cowell and E. Schokkaert (2001) “Risk perceptions and distributional judgments” *European Economic Review* 45, 941-952.

²⁸ F. A. Cowell and C. Schluter (1998) *Mobility measurement and data contamination*, DARP Discussion paper No. 27, London: LSE.

decimal point errors) suggests that these can be up to 86 per cent. However, some popular measures perform satisfactorily despite being, in principle, very sensitive to contaminations.

Frank Cowell and Maria-Pia Victoria-Feser examine the impact of data contamination on the basic tools of income-distribution comparison such as Lorenz curves and Pen's parade of incomes.²⁹ We provide general guidance for all types of stochastic dominance criteria and show that, although first-order dominance criteria (Pen's parade) are robust to contamination, second-order and higher dominance criteria can be catastrophically sensitive to contamination in the upper tail of the income distribution. This means that standard practical tools – such as distributional shares – must be used with caution if upper-incomes are contaminated. We discuss how reliable procedures can be constructed to avoid this problem. This issue is pursued further in a separate piece of work³⁰ in which we show the way in which “trimming procedures” can be used to give a more informative picture of income-distribution comparisons across countries and over time.

Chris Schluter and Mark Trede³¹ provide tools for statistical inference for poverty and inequality means with dependent data. In a second paper³² we focus on problems encountered when seeking to apply the Lorenz dominance criterion, the centre piece of inequality analysis, in practice. The appeal of this criterion, which requires considering Lorenz curves in their entirety, is undermined by the practical problem that many sample Lorenz curves intersect in the tails. The commonly used inferential methods, based on central limit theorem arguments, do not apply to the tails since these contain too few observations. By contrast, we propose a test procedure, based on a domain of attraction assumption, which fully takes into account the tail behaviour of Lorenz curves. Our experiments and empirical examples demonstrate the good performance of the proposed test: in many cases we are able to infer that despite sample tail crossings the population Lorenz curves do, in fact, exhibit Lorenz dominance.

In a further paper³³ we focus on the problem caused by the fact that survey data can be contaminated by observations which do not belong to the population of interest. Often these contaminations are outliers, i.e. large values relative to the majority of the data. Most estimators are very sensitive to such outliers. Since robust estimation methods trade-off robustness and efficiency, researchers often tend to truncate the sample in an ad hoc fashion. By contrast, we propose a formal outlier test.

Finally, Chris Schluter and Andrew Chesher³⁴ derive the approximate effects of measurement error on a variety of measures of inequality and poverty. They are shown to depend on the measurement error variance and functionals of the error contaminated income distribution. Since these functionals can be estimated it is possible to investigate the sensitivity of welfare measures to alternative amounts of measurement error and, when an estimate of the measurement error variance is available, to calculate corrected welfare measures.

²⁹ F. A. Cowell and M. P. Victoria-Feser (2002), “Welfare Rankings in the Presence of Contaminated Data” *Econometrica*, forthcoming.

³⁰ F. A. Cowell and M. P. Victoria-Feser “Distributional Dominance with Dirty Data” to be presented at the European Economic Association 2001.

³¹ C. Schluter with M. Trede, (2001) ‘Statistical inference for inequality and poverty measures with dependent data’, *International Economic Review*.

³² C. Schluter and M. Trede (2001) *Tails of Lorenz curves*, Bristol University Working Paper.

³³ C. Schluter and M. Trede (2001) *Testing for outliers*, Bristol University Working Paper.

³⁴ A. Chester and C. Schluter (forthcoming) ‘Welfare measurement and measurement error’, *Review of Economic Studies*.

4. SOCIAL EXCLUSION ACROSS THE GENERATIONS AND THE LIFE-COURSE

This theme of research is concerned with discovering what really matters in the process of becoming socially excluded. It covers as broad a range as possible of antecedents of social exclusion, encompassing both intergenerational linkages with parental circumstances and parent-child interactions and the accumulation of experiences over the life-course of the individual, and a wide range of outcomes. We have so far paid most attention to negative outcomes in adulthood using information from the National Child Development Study cohort born in March 1958.

(a) Childhood antecedents of adult social exclusion

John Hobcraft's initial work using the NCDS began to look at the interplay of three focal childhood factors: experience of childhood poverty (defined by a combination of information at age 7, 11 and 16 on receipt of free school meals and on family financial difficulties), family disruption, and contact with the police.³⁵ The outcomes covered multiple domains, including demographic (early parenthood, extra-marital births, and repeated cohabitational partnerships); mental health (malaise scores indicative of incipient depression); welfare status (living in social housing, receipt of non-universal benefits, and experience of homelessness); educational attainment (lack of qualifications and degree-level qualifications); and economic status (lowest and highest quartile of income groups and, for men, experience of unemployment).

This research indicated strong associations between virtually all of these adult outcomes and the three 'focal' measures. The next step was to ask whether the observed associations with these three childhood factors still seemed important when a wide range of other childhood and parental factors were controlled for. An innovative approach was adopted, which combined information for all of these antecedents of adult social exclusion measured at ages 7, 11, and 16, first to examine the impact of cumulative disadvantage, and second to reduce selection bias.

Pervasive childhood antecedents of adult social exclusion

Our findings of pervasive associations with multiple outcomes within a single data set were significant, since previous analyses had often shown a scattering of links to single outcomes representing specific social science disciplinary domains and were drawn from differing data sources. Here we report results on seven of the negative outcomes for both men and women (early parenthood, extra-marital birth, malaise, social housing, receipt of benefits, no qualifications, and low income) plus unemployment experience for men.

Both experience of childhood poverty and educational test scores had a clear net association with all 15 of these combinations; contact with the police was associated with all negative outcomes except low income for both sexes; family structure was linked to all seven negative outcomes for women, but only five of the eight for men. Either or both of the parental interest in education measures were significantly related to all but one of the negative outcomes, the

³⁵ J. Hobcraft (1998) *Intergenerational and Life-Course Transmission of Social Exclusion: Influences of Childhood Poverty, Family Disruption, and Contact with the Police*. CASEpaper 15; J. Hobcraft (1999) 'Intergenerational and life course transmission of social exclusion' in *Persistent Poverty and Lifetime Inequality: The Evidence*, CASereport 5/HM Treasury Occasional Paper no. 10.

exception being malaise for men. Other net associations were either less pervasive or weaker, although aggressive girls were more likely to experience all seven negative outcomes in adulthood, and boys whose fathers were of low occupational class had worse outcomes for all but malaise.

An important result was to demonstrate just how pervasive an influence experience of childhood poverty was, net of the wide range of other factors considered, in relation to the broad set of adult outcomes considered. Every one of the negative outcomes considered here showed a clear net association with childhood poverty. Moreover, we were able to show that repeated poverty can also matter (for instance for qualifications), although not for most outcomes.³⁶

The most powerful and all-pervasive antecedent of negative outcomes was educational test scores, which capture a complex mixture of endowments and experience. The importance of education is reinforced by the pervasiveness of one or both of the parental interest in schooling measures for virtually every negative outcome. Evidence of contact with the police by age 16 also proved a strong and pervasive net correlate of negative outcomes in adulthood. The pervasiveness of association of negative outcomes with family structure was greater for women than for men and masked several different and often quite specific linkages, some of which are briefly highlighted below. The truly pervasive link is that women who experienced any known spell of fostering or care were much more likely to prove disadvantaged in adulthood on all seven negative outcomes.

Specific childhood antecedents

In many instances, the strongest association (in the sense of the one of largest magnitude) for a childhood antecedent turned out to be with essentially the same outcome in adulthood. The specific linkages were: those born out of wedlock themselves having an extra-marital birth; those whose parents had divorced having three or more cohabitational relationships; those reared in social housing themselves living in social housing; anxious children appearing with high adult malaise; and paternal and maternal interest in education and educational test scores linking to no qualifications. All of these specific linkages occurred for both men and women, with the one exception of maternal interest in schooling for men. Subsequent work allowed us to include low occupational class among these specific pathways (see below).

(b) Linking childhood antecedents through early adult experiences to adult social exclusion

This work was extended to incorporate some intermediate correlates of adult social exclusion. The initial work of this type was with Kathleen Kiernan³⁷ with early motherhood as the intermediate factor and is described in section 5 below. A fuller analysis incorporated educational qualifications as the mediating influence and examined the association of childhood antecedents with a wide range of adult outcomes at both age 23 and age 33³⁸.

³⁶ J. Hobcraft, (1998) *op. cit.*, Tables 16 and 17.

³⁷ J. Hobcraft and K. Kiernan (2001) 'Childhood Poverty, Early Motherhood and Adult Social Exclusion', *British Journal of Sociology*, 52(3): 495-517.

³⁸ J. Hobcraft (2000) *The Roles of Schooling and Educational Qualifications in the Emergence of Adult Social Exclusion*, CASEpaper 43. London: LSE.

The negative adult outcomes considered included, for both men and women at ages 23 and 33: social class IV or V; experience of a year or more unemployment; living in social housing; receipt of non-universal benefits; low income; and a high malaise score. In addition, for both men and women, we included: early parenthood by age 23 and two or more years out of a job or education before age 23; and, at age 33, Hope-Goldthorpe unskilled class, lack of a telephone in the household (social isolation and disadvantage), and current cigarette smoking. Finally, for women, we included ever experiencing lone motherhood by age 23 and age 33, and any extra-marital birth age 33.

The childhood antecedents considered are listed in summary in Table 4.1. These were entered into the regression models in blocks as grouped here, being included through stepwise selection, with a stringent one in ten thousand selection criterion. Once included in one block, the factor was retained for subsequent blocks, although a final, free stepwise model without any ordering of blocking of the indicators was also fitted. It is the results from this final model that are highlighted in Table 4.1.

Table 4.1: Number of outcomes with childhood characteristics included in free stepwise models

Characteristic	Free stepwise models		
	Men	Women	Both sexes
Number of outcomes considered	17	19	36
PARENTAL BACKGROUND			
Childhood poverty	11	15	26
Father's Social Class	5	1	6
Housing tenure	5	4	9
Parents' school leaving age	0	0	0
Born out of wedlock	0	0	0
Ever in care	0	0	0
Family disruption (Care, out-of-wedlock, divorced parents)	0	2	0
INDIVIDUAL BEHAVIOUR			
Aggression	1	5	6
Anxiety	2	1	3
Restlessness	0	0	0
PARENTAL INTEREST IN EDUCATION			
Father's interest	3	4	7
Mother's interest	1	7	8
Both parents combined	4	10	14
TEST SCORES, POLICE, & SCHOOL ABSENCE			
Any contact with police	9	1	10
Any frequent absences from school	4	13	17
Test scores	8	9	17
QUALIFICATIONS	17	19	36

By far the most striking finding here was the remarkable prevalence of childhood poverty measures in these free stepwise models, with retention in 26 of the 36 sex-outcome combinations. Childhood poverty featured in these models for every outcome for women at age 23; for men at age 23 it was not included for early fatherhood or high malaise; for both men and women at age 33 the exceptions were both social class outcomes and cigarette smoking; and for men low income too. This pervasive legacy of childhood poverty in later life was more extensive than any other childhood factor considered here. Other notable features were:

- Among the remaining parental background measures, only housing tenure and father's social class appeared in any of the free stepwise models. In each case, the associations were

predominantly 'specific' to the same outcome, so that father's social class is most strongly associated with the survey member's social class among all outcomes and there is a similar 'inheritance' of living in social housing.

- For individual childhood behaviour, aggression appeared in six free stepwise models, with five of these being for women. Four of the nine strong associations of childhood behaviour measures were with the one measure of mental health included among our outcomes.
- Parental interest in education was evidently more vulnerable to associations with other educational variables that were introduced later in the hierarchy, but appeared in 14 of the free stepwise models for one or more of the four measures used, with a striking gender imbalance in these associations. Seven of the eight retained associations with mother's interest in schooling were for women. Four of the seven clear associations with father's interest in schooling emerged for the social class outcomes.
- Early contact with the police for men and frequent school absences for women (and men) were virtually all retained after the addition of qualifications into the models. For young men, early contact with the police was clearly related to a set of interlinked outcomes at age 23: early fatherhood, social housing, benefit receipt, unemployment of a year or more, two or more years not in employment, education or training, and low income.
- Educational test scores had a less pervasive presence in the final stepwise models, with only about half (17) of the 35 initially significant sex-outcome combinations being retained in the free stepwise models. Six of these powerful associations were with social class. They were also retained for both men and women for several interlinked outcomes at age 33: social housing, no telephone, benefit receipt, and low income.

Finally, qualification levels proved to be strongly related to every single negative outcome at ages 23 and 33 for both men and women. At age 23, it was clear that the sharpest divide arose for the group with no qualifications. The next most important cut-point was for those with fewer than 5 O levels. The divide at below A level 2 was the only other to have many significant values.

At age 33, there were more significant splits, at no qualifications; below O level; and below A level for more than half of the outcomes. There was a clear divide at the no qualification threshold in the age 33 outcome models for all but five of the outcomes. There was also a divide at the below O level threshold in just over half of the free stepwise models of outcomes at age 33. The divide at the below A level threshold was the most prevalent for outcomes at age 33, with only four of the free stepwise models not including this cut-point. By far the most pervasive association with these three qualification cut-points was for low social class at age 33. This was rivalled by the links to social housing.

(c) Intergenerational mobility: occupational class, income, and education

Some recent work has made a first attempt to bring together three interrelated elements of intergenerational mobility into a single, coherent analysis.³⁹ To the best of our knowledge this has not been attempted before. Yet education, occupational class, and income are strongly associated within a generation and it highly plausible that some of the transmission elements involved across generations are shared or involve interplays between the various elements. Systematic exploration of multiple intergenerational connections and routes of transmission and the relative importance of differing origins in mediating outcomes for other destinations seems lacking in the study of occupational mobility by sociologists or of income mobility by economists.

We constructed conventional origin and destination intergenerational mobility matrices for each of occupational class, income, and education, measured for the parents when the children were aged 16 and for the children at age 33. In this format, the heritability of income seemed weaker than that of occupational class or education.

A preliminary attempt to look at all three mobility patterns conjointly involved identifying disadvantaged groups for each generation education, class, and income and examining patterns of combinations of disadvantage across the generations. To simplify, 73 per cent of those with no parental disadvantage on education, class, or income had no disadvantage on these indicators at age 33; about 55 per cent of those whose parents were disadvantaged on one factor showed no adult disadvantage; about 48 per cent of those whose parents had two disadvantaged positions showed no disadvantage on these three elements at age 33; and only 37 per cent of those whose parents were triply disadvantaged were not disadvantaged on class, education, or income at age 33.

The paper then presented a series of conventional intergenerational income elasticities for both men and women, and for their partners. Intergenerational income elasticities of women's partners were higher than those for the women themselves, but generally slightly lower than for the men in the sample, perhaps suggesting strong assortative mating.

The interplays of intergenerational mobility on education, class, and income were then explored. Initially the dependent variables were restricted to the classifications on the three origin measures. A net association with each of the three origin measures was apparent for most destinations for both men and women. The results were generally tidier and more interpretable for men, largely because women's status on occupation or income is often not their own, but rather that of their partner.

The final set of regression models developed were concerned with discovering how far the associations of the three disadvantaged destination measures with the three origin classifications are mediated by or accounted for when other childhood factors (drawn from the earlier work reported above) are controlled. Few significant relationships with the origin measures remained and we here concentrate on those for men.

The most persistent association to survive was that men whose fathers had below median income were still significantly more likely to have low qualifications, low or no earnings and

³⁹ J. Hobcraft (forthcoming) *Intergenerational transmission of inequality in a British birth cohort*. Paper presented at Population Association of America Annual Meeting, Washington D.C. and at CASE/University of Siena conference, April 2001, and forthcoming as a CASEpaper.

to be in a low social class; this is particularly interesting since these associations were net of a further control for the summary measure of childhood poverty used in the earlier analyses. Despite the introduction of controls for educational test scores and parental interest in school, men whose fathers left school at 17 or over were still much less likely to have no qualifications. For men, class also begets class: those from non-manual origins were still least likely to be in a low social class and those whose fathers were semi-skilled or unskilled were more likely to be in such occupations, net of the wide range of controls. In addition, men whose fathers were in unskilled manual occupations were much more likely to have low qualifications, again net of several other powerful educational controls.

Thus, this work showed that class begets class, educational attainment begets educational attainment, but experience of childhood poverty begets exclusion on all three of occupational class, educational attainment, and low income. These results were sharper for men than for women.

(d) Further developments

A number of other issues have been developed and explored in Hobcraft (forthcoming)⁴⁰, including interconnections among various measures of adult social exclusion, some work on summary measures and exploration of further indicators, and a discussion on some of the issues on genes and environment and the interplay between these in the context of social exclusion.

An exploration of the inter-connections among the negative outcome measures used in earlier work (CASEpaper 15) gave some interesting insights. In particular, living in social housing was connected with virtually all other negative outcomes, perhaps making it a good summary indicator of social exclusion. Living in social housing is often a result of earlier life events, such as homelessness or partnership breakdown, but could also itself add to social exclusion through neighbourhood factors (see section 6 below).

A thorny issue when looking at social exclusion, and especially intergenerational ‘transmission’, is the role of genetic inheritance. The issue is no longer really one of nature versus nurture, although some actors remain wedded to the idea of humans being a *tabula rasa* at birth, with genes playing no part, and those at the other extreme often falling into the trap of genetic determinism. There is a long way to go in such research, but it is important for those concerned with intergenerational issues, especially in the context of social exclusion, to be aware of the advances that are being made and the likely future prospects. The study provided a very brief summary of some of these topics and also linked them to some of the ‘fixed-effects’ models used by economists, which often partially control for genetic factors by differencing family members, though rarely discussing this specifically.

Some other exploratory work has been done that searches for clusters of disadvantaged outcomes or antecedents, which may prove to have especially strong associations that are not captured fully by conventional statistical models.

⁴⁰ J. Hobcraft (forthcoming) ‘Social exclusion and the generations’, in J. Hills, J. Le Grand and D. Piachaud *Understanding Social Exclusion*, OUP.

5. UNDERSTANDING FAMILY CHANGE.

In our research to date in CASE we have shown that youthful parenthood, solo motherhood and fragile unions are hallmarks of British family life that have far-reaching consequences for the adults and children involved.

Children in Britain are amongst the most likely of European Union children to grow up in poverty.⁴¹ An important engine behind this vulnerability is significant differences in the demography of family life in Britain compared with other European countries. British children as compared with their European contemporaries, are more likely to be born to young mothers and to solo mothers (outside a co-residential partnership), are more likely to see their parents separate and to live in lone mother families, all of which enhance the chances of growing up disadvantaged.

Youthful parenthood, unmarried families and family dissolution have been major themes in our CASE research. In our analyses we have made extensive use of longitudinal data including the National Child Development Study (NCDS) and the British Household Panel Survey (BHPS) and in our comparative analyses we have used the UN Fertility and Family Surveys from 14 countries. We have also made use of cross-sectional surveys including a range of General Household Surveys, the Family Resources Survey and Eurobarometer Surveys.

(a) Youthful parenthood

Across Europe in recent decades couples have been becoming parents at increasingly older ages. In Britain, there is a noteworthy deviation from the trend to later childbearing. Not only do we have the highest teenage fertility rate in Western Europe but also unlike other European countries there has been no decline in the rate over the last two decades. There has been a growing concern on the part of government and policy makers with the high and stable rates of teenage fertility to be found in Britain compared with other European countries.⁴² Evidence from our research on NCDS showed that, even after allowing for a wide range of background factors, teenage mothers compared with older mothers (particularly those who become mothers after their early twenties) were more likely in later life to be living in low income households and to be relying on state benefits to support themselves and their children. Young mothers were also the most likely to be living in social housing and to have experienced homelessness, and their general physical health and mental well-being tended to be poorer than that reported by older mothers. Additionally, young mothers compared with older mothers were more likely to commence family life as a lone parent and amongst those who partner or marry they were also the most likely to become lone parents.⁴³

A key issue that Kathleen Kiernan and John Hobcraft also addressed in their research to inform the work of SEU when they were preparing their report on Teenage Pregnancy was

⁴¹ B. Bradbury and M. Jantii (1999) *Child Poverty Across Industrialised Nations*, Innocenti Occasional Papers, Florence UNICEF.

⁴² Social Exclusion Unit, (1999) *Teenage Pregnancy*, Cm 4342 London: TSO.

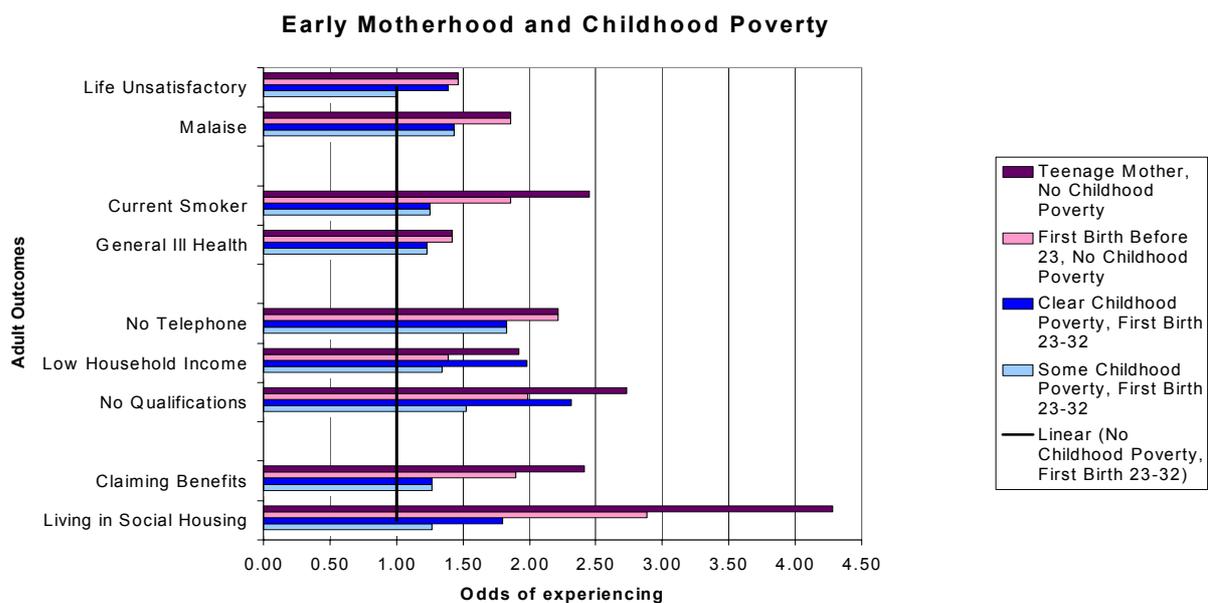
⁴³ K. Kiernan (1997) 'Becoming a Young Parent: a longitudinal study of associated factors', *British Journal of Sociology*, 48(3): 406-428; and J. Hobcraft and K. Kiernan (2001) 'Childhood Poverty, Early Motherhood and Adult Social Exclusion' *British Journal of Sociology*, 52 (3): 495-517

what is the relative importance of childhood poverty and of early motherhood as correlates of outcomes later in life.⁴⁴

The source of data for this study was the National Child Development Study. We examined outcomes at age 33 in a number of domains representing different aspects of adult social exclusion, including: welfare, socio-economic, physical health, and emotional well-being, as well as demographic behaviour. We controlled for a wide range of childhood factors: poverty; social class of origin; mother’s and father’s school leaving age; family structure; housing tenure; mother’s and father’s interest in education; personality attributes; performance on educational tests; and contact with the police by age 16.

We showed that there were clear associations for the adult outcomes with age at first birth, even after controlling for levels of childhood poverty and the wide range of other childhood background factors (see Figure 5.1). Moreover, we demonstrated that the widest gulf in adult outcomes occurs for those who enter motherhood early (before age 23), though further reinforced by teenage motherhood for most adult outcomes. We also showed that it is any experience of childhood poverty that is most clearly associated with adverse outcomes in adulthood, with additional reinforcement for higher levels of childhood poverty only being significant for a few outcomes.

Figure 5.1: Early motherhood and childhood poverty



This work has been subsequently extended⁴⁵ to examine the extent to which childhood poverty and educational performance in childhood together and in combination account for the poorer outcomes in later life observed amongst teenage mothers. This analysis showed that childhood poverty and educational performance were important factors in explaining the adverse outcomes observed among teenage mothers. But, the association between becoming a teenage mother and adversity in later life remained substantial and significant. The upshot

⁴⁴ Hobcraft and Kiernan (2001), *op. cit.*

⁴⁵ K. Kiernan, (forthcoming) ‘Demography and Disadvantage: Chicken and Egg?’ in J. Hills, J. Le Grand, and D. Piachaud (eds.) *Understanding Social Exclusion*, OUP.

of all our analyses in this domain is that youthful parenthood matters, in that it substantially increases the chances of such families living in poorer social and economic circumstances, even a decade or more after the birth of the child.

(b) Unmarried families

The dramatic increases in cohabitation and childbearing outside of marriage that has occurred in Britain and several other European countries raises important questions about the hegemony of legal marriage and the assumptions on which our social policies are built. Different European countries have responded in different ways to these developments. The position with respect to children has been discussed and codified in recent years and is much less controversial than the position of cohabiting couples.⁴⁶ One of the areas we have examined is unmarried families with children in Britain and Europe, and how Britain compares with other European countries both demographically and also the policy responses to these developments.⁴⁷

Childbearing outside Marriage in Europe: comparative analysis

Our analyses of the European Fertility and Family Surveys and the BHPS that collected analogous data on Britain has shown there to be marked commonalities and differences in the extent, context and outcomes to childbearing outside of marriage. The European norm is to become a mother within the first co-residential partnership but in many countries the trend has been for women to increasingly to make the transition to motherhood within a *de facto* union rather than a *de jure*. Within Europe there remain marked differences in the level of non-marital childbearing and the saliency of marriage as the context for having children. Marriage is still a pre-eminent setting for having a child in the Southern European countries and the Middle European countries of Switzerland and West Germany but this is much less the case in the Nordic countries, with Sweden being the only country with more first births born within cohabiting unions than marital unions, with France moving rapidly towards joining this set. In general, across most European nations, children are less likely to see their parents split up if they are born to married parents than to cohabiting parents.

The increases in childbearing outside marriage seen in most European countries arise from women having children within cohabiting unions rather than on their own. However, Britain is a notable exception. In Britain, perhaps more so than in other European countries we have two distinct categories of unmarried families with children – cohabiting couples and solo mothers (having a baby on one’s own outside a co-residential partnership). Our comparative analysis also showed that British cohabiting families with children are also more prone to break-up than their counterparts in many other European countries.

⁴⁶ K. Kiernan (2000) ‘European Perspectives on Union Formation’ in L. Waite, C. Bachrach, M. Hindin, E. Thomson and A. Thornton (eds.) *Ties that Bind: Perspectives on Marriage and Cohabitation*. Hawthorne: Aldine de Gruyter; and K. Kiernan (forthcoming) ‘Cohabitation in Western Europe: Trends, issues and implications’, in A. Booth and A. Crouter (eds.) *Just Living Together: Implications of Cohabitation on Families, Children and Social Policy*, Lawrence Erlbaum Associates.

⁴⁷ K. Kiernan (1999) ‘Childbearing outside marriage in Western Europe’, *Population Trends*, 98, 11-20; K. Kiernan (2001) ‘The rise of cohabitation and childbearing outside of marriage in Western Europe’, *International Journal of Law, Policy and Family*, 15:1, 1-21.; and K. Kiernan (2001) ‘Non-marital childbearing: A European perspective’ in L. Wu and B. Wolfe (eds.) *Out of Wedlock: Causes and consequences of non-marital fertility*, Russell Sage Foundation.

British unmarried families

Children living with never-married lone mothers are also amongst the poorest children in Britain.⁴⁸ These children have either had cohabiting parents who separated or were born to a mother on her own i.e. the father was not living with the mother when the child was born. Amongst this latter group, which we refer to as “solo” mother families, the father may have been living elsewhere or the relationship may have terminated prior to the birth of the child. Britain is unique amongst European countries in having had an increase in solo motherhood in recent times.⁴⁹ Why there has been this growth in solo motherhood remains unexplored but there are indications from our research on Britain (see below) that solo motherhood is seemingly less to do with empowerment and more to do with impoverishment.

Children born to solo mothers and those born to cohabiting couples (perhaps more surprisingly) are more likely to be born into disadvantaged families. Our research again using NCDS data⁵⁰ showed that solo mothers and cohabiting mothers are more likely to have experienced poverty during their own childhood and performed less well in the educational system compared with married mothers. They are also much more likely to become mothers at a young age. Childhood experiences and youthful parenthood account to some extent for why these women are more likely to be in low income families and having to support themselves and their children on state benefits in later life, but it was not the whole explanation. In sum, young women from more disadvantaged backgrounds are more likely to become solo mothers or cohabiting mothers than their more advantaged peers, and these behaviours are associated with poorer outcomes in later life.

(c) Partnership Dissolution

Who Divorces?

Using data from cross-sectional (Family Resources Survey) and longitudinal surveys (British Household Panel Survey and the NCDS) Kathleen Kiernan and Ganka Mueller⁵¹ examined two questions. What does the currently divorced population look like; and who are more likely to divorce? (We use divorce as an inclusive term to include breakdown of cohabitations). We found that the currently divorced were more likely to be unemployed, rely on state benefits, and be disabled than the married population. The same factors with financial difficulties were also precursors of divorce. The deprived were more at risk of divorce, while divorce may compound deprivation. Men and women with lower psychological well-being were more likely to divorce in the ensuing years. The analysis of early life experiences showed that emotional problems were also important signposts for later partnership breakdown. The earlier and younger a first partnership the more likely it was to break down for both groups.

Parental divorce in childhood is associated with a greater likelihood of partnership breakdown in adulthood and more frequent cohabitation. In our paper on the *State of European unions*⁵² using

⁴⁸ Department of Social Security (1999) *Opportunity for All: tackling poverty and social exclusion*, Cm 4445. London: TSO.

⁴⁹ Kiernan, (1999), *op. cit.*

⁵⁰ K. Kiernan (forthcoming), *op. cit.*

⁵¹ K. Kiernan and G. Mueller (1999) ‘Who divorces?’, in S. McRae (ed.) *Changing Britain: Families and Households in the 1990s*, Oxford University Press.

⁵² K. Kiernan (2000) ‘The State of European Unions: An analysis of Fertility and Family Survey data on partnership formation and dissolution’. Paper presented UN Flagship Conference, Brussels, May 2000 (forthcoming UN report).

comparable data from 14 European countries we have shown that children who experience parental divorce are more likely to cohabit and this is the case in Western and Eastern European countries and in countries where divorce rates are low such as Italy and Spain. It may be that children who experience parental divorce may be more reluctant to commit to marriage or alternatively they may spend longer searching for a marriage partner than those brought up with both parents. The other robust finding across all these nations was that children who had experienced parental divorce were themselves more likely to experience partnership dissolution in adulthood. We have also looked at this issue in detail for Britain (see below)⁵³.

The Legacy of Parental Divorce

Parental divorce during childhood can have a negative effect on adult lives, but some difficulties also relate to personal and family circumstances that precede the break up. Using longitudinal data on 33-year old adults from the National Child Development Study, we compared the economic and family situations of those from divorced backgrounds with those for their contemporaries raised by both parents. The study⁵⁴ showed that: pre-divorce factors, especially financial hardship, played an important part in explaining the increased odds that children whose parents divorced would lack qualifications, be unemployed or be living in social housing as adults. Pre-divorce circumstances were less influential in accounting for why children of divorce differed in their personal relationships and parenthood behaviour in adulthood.

For example, the study by Kathleen Kiernan and Andrew Cherlin,⁵⁵ found that by age 33 offspring whose parents divorce were more likely to have dissolved their first partnerships. This finding persisted after taking into account age at first partnership, type of first partnership (marital, pre-marital cohabiting union and cohabiting union), and indicators of class background and childhood and adolescent school achievement and behaviour problems. Some of these factors were associated with partnership dissolution in their own right, but the association between parental divorce and second-generation partnership dissolution was largely independent of them. Demographic factors, including type of and age at first partnership were important links between parental divorce and partnership dissolution. Moreover, the estimated effects of parental divorce were substantially reduced when the demographic variables were taken into account, suggesting that cohabitation and early partnership may be important pathways through which a parental divorce, or the unmeasured characteristics correlated with it, affect partnership dissolution.

Another insight comes from the study by Frank Furstenberg and Kathleen Kiernan which examined parental divorce when children are adults.⁵⁶ Children whose parents remained together until they were grown up did not suffer adverse socio-economic circumstances in adulthood but their personal relationships tended to be less secure than their peers whose parents were in continuing marriages.

⁵³ K. Kiernan and A. Cherlin (1999) 'Parental divorce and partnership dissolution in adulthood: evidence from a British cohort study', *Population Studies*, 53(2): 39-48.

⁵⁴ K. Kiernan (1997) *The Legacy of Parental Divorce: Social, economic and demographic experiences in adulthood*, CASEpaper 1. London: LSE.

⁵⁵ Kiernan and Cherlin (1999), *op. cit.*

⁵⁶ F. Furstenberg and K. Kiernan (2001) 'Delayed Parental Divorce: How much do children benefit?' *Journal of Marriage and the Family*, 63(2): 446-457.

(d) Early Interventions and outcomes

In a paper originally prepared for CASE and HM Treasury,⁵⁷ Jane Waldfogel reviewed the evidence on the impact of child care and maternal employment in the pre-school years on child outcomes. This topic has long been of interest to economists, developmental psychologists, and scholars from other disciplines, and has been the focus of increased attention in recent years, as research has provided additional evidence about the processes of development in the earliest days, weeks, and years of life. Although the human brain has the capacity to grow and change throughout the lifecycle and although experiences in the early years may not be as critical as has been argued recently in the popular press, it is still generally agreed that the brain does grow particularly rapidly in the first three to five years of life and that what happens in those years can either promote development or curtail it. In this paper, she reviewed the evidence on two broad sets of questions: what we know about the potential benefits of early intervention child care programmes, and what we know about the effects (whether positive or negative) of maternal employment and child care in the first years of life. The evidence suggested that we now know a good deal about both sets of questions. But, it also suggested that there are important gaps in our knowledge that future work by economists could fruitfully address.

In October 1998, Jane Waldfogel and Sheldon Danziger convened scholars, policy makers, and practitioners to review what was known about the processes that affect child development and how we might increase public and private investments in children to promote both their well-being and the productivity of the next generation. The conference, held at Columbia University and sponsored by the Ford Foundation's Program on Asset Building and Community Development, began with an examination of current investments in children and how they affect the development of the skills and competencies needed to succeed as adults in work, family, and society. The papers also reviewed and synthesized what we have learned about childhood interventions from birth to college and what further investments in children are required, especially for disadvantaged children.

In their introduction prepared during their time as visitors to CASE, Sheldon Danziger and Jane Waldfogel⁵⁸ summarized the findings of the conference volume and suggested policy investments that would improve child well-being in five key areas: programmes to improve the health of women of childbearing age; early childhood interventions, targeted to the most disadvantaged children; measures to raise the quality of child care and pre-school education; after-school and mentoring programmes; and programmes to raise the level of college attendance by high-ability youth from low-income families.

⁵⁷ J. Waldfogel (forthcoming) 'Child Care, Women's Employment and Child Outcomes' *Journal of Population Economics*, (see CASEpaper 21).

⁵⁸ S. Danziger and J. Waldfogel (eds.) (2000) *Securing the Future: Investing in Children from Birth to College*, Russell Sage Foundation, New York (see also CASEpaper 34).

6. AREA TRAJECTORIES

(a) Changes in cities

Social exclusion is about the inability of our society to keep all groups and individuals within reach of what we expect as a society. It is about the tendency to push vulnerable and difficult individuals into the least popular places, furthest away from our common aspirations. Inner city areas, and some large outlying council estates, increasingly vacated by people who can find an alternative, became a receptacle for problems.⁵⁹ Therefore a large part of our research into poor areas focuses on cities and their least popular neighbourhoods.

In identifying the poorest and most multiply deprived areas of the country we demonstrated that they are overwhelmingly concentrated within towns and cities, even though there are also many small pockets of low income and concentrated social problems in more dispersed and isolated communities. The 100 most deprived local authority areas in the country are all urban and the 20 most deprived are all in major industrial conurbations and inner London.

Low demand and area abandonment

Anne Power and Katharine Mumford, in a detailed study of four inner city neighbourhoods in Manchester and Newcastle, find that in some inner city areas there is virtually no demand for housing. The reasons are more to do with severe poverty and joblessness within the neighbourhoods than the quality of the housing. The research, funded by the Joseph Rowntree Foundation⁶⁰ highlights five strong trends, common to many inner city areas outside London.

- Good quality, modernised homes are being abandoned in all four neighbourhoods. House prices have fallen, in some cases to zero, and some blocks and streets are being demolished, including new housing. Demolition of empty properties has not generally stemmed the tide of abandonment. Whole areas have virtually no demand for housing.
- Britain's major cities have been losing population since the turn of the century. Manchester and Newcastle, the two cities studied, have lost a fifth of their population since 1961. Depopulation has paralleled severe job losses, mainly in manufacturing. Job losses have hit low skilled males particularly harshly. Long term unemployment in the inner city areas is still chronic.
- Council housing dominates low demand areas, but all tenures are affected. Very few tenants have become owners under the Right-to-Buy due to extreme poverty and low valuations. Low-cost owner occupation outside the city is often a more attractive and cheaper option for those in work.
- Low demand has generated falling school rolls, a vacuum in social control, anti-social behaviour and intense fear of crime.

⁵⁹ A. Power and W. J. Wilson (1999) *Social Exclusion and the Future of Cities*, CASEpaper 34. London: LSE.

⁶⁰ A. Power and K. Mumford (1999) *Slow Death of Great Cities?* Joseph Rowntree Foundation.

Many regeneration initiatives have been tried – intensive management, proactive policing, resident involvement. These help hold conditions. But the collapse in housing demand produces extreme conditions with social landlords operating in direct competition with each other; landlords using the ‘100% Housing Benefit system’ to facilitate the movement of a diminishing number of tenants around surplus stock. Private landlords speculating around demolition decisions, buying up property for little in the hope of high rent from temporary lettings, before Compulsory Purchase Orders. Local authorities and police are struggling to enforce the law against sometimes violent, criminal behaviour, while residents battle for the survival of their homes.

Former industrial cities and towns are under great pressure but there is real potential for repopulating older urban areas. Universal supports such as education, police and health underpin social cohesion if they are run properly. Marketing social housing to a wide band of the population raises its value and increases demand as long as its conditions and supervision are improved. Regeneration projects are attracting ‘urban pioneers’ back into centre cities. They could gradually spread into the increasingly empty inner neighbourhoods if the environment was more attractive.

Existing residents can be encouraged to stay and rebuild conditions providing an anchor for city rebirth, if security improves. Higher densities support more services and create the street life that makes urban neighbourhoods safe and attractive. Many more smaller households can be housed in the areas now being abandoned.

With a more cared-for environment, better policing, and upgraded public services, inner city neighbourhoods offer an alternative to green field sprawl.

The importance of neighbourhoods

Work for the Urban Task Force⁶¹ demonstrates the importance of urban neighbourhoods to healthy cities and their complex relationships between viable inner neighbourhoods and successful cities. This government report draws on CASE’s work on the connection between high poverty neighbourhoods and a wider urban ‘malaise’⁶². Our analysis of neighbourhoods shows that neighbourhoods are important to people as the physical areas within which they organise their lives, base a significant portion of their social time and therefore connect with the world outside the home. Urban neighbourhoods usually cover around 2000 homes, or 5000 people, a typical primary school catchment. Neighbourhoods often have sharp boundaries, either physical or atmospheric, but the layers of neighbourhood life are like an onion with a tight core and a loose outer skin.

Neighbourhoods have three interlocking aspects: the home and immediate surroundings - the elements people pay as much as they can to secure; services such as shops and schools which reflect the social composition of the neighbourhood; and the neighbourhood environment, giving an intangible but powerful signal of who we are and how we should behave. Neighbourhoods offer a sense of familiarity and security to the people who live there, which counters fear of the unknown, even where the neighbourhood is poor, run-down or unpopular.

⁶¹ Urban Task Force (1999) *Towards an Urban Renaissance – Final report of the Urban Task Force*, HMSO.

⁶² A. Power (2000) ‘Social Exclusion’, *RSA Journal*, Vol. CXLVIII No. 5493.

Neighbourhoods can break down if the three elements – home, services, and environment – are disrupted to a point where security disintegrates. If decline is very rapid, then even the sense of familiarity can go. It is the issue of neighbourhood breakdown and rescue that concerns government because school failure and crime – their top social preoccupations – are neighbourhood problems. Poor education and crime fuel the movement outwards, creating large rifts in society and leaving much poorer neighbourhoods behind.

Some places are inherently difficult and unattractive to live in; this impacts strongly on people, determining who moves in, who stays and who moves out, creating people-based characteristics, alongside physical conditions. Table 6.1 shows this interaction of inherent and acquired area characteristics, making people and places equally important in the creation of, and struggle against, social exclusion. Areas often have a mix of these characteristics; occasionally all the characteristics are clustered together.

Table 6.1: Intrinsic and acquired characteristics of poor areas

Intrinsic Area Characteristics	Condition	Outcomes
Location and transport links	Poor access	Low status
Physical style and ownership	Segregated community	Low value
Environment	Unattractive, poor quality	Low desirability
Economy	Low investment	Low mix
Acquired Area Characteristics	Condition	Outcomes
Population mix	Low status deters more ambitious	Concentrated poverty
Reputation and history	Image activates fear	Rejection and isolation
Standards and services	Performance is poor	Deteriorating conditions
Poor supervision	Low morale reduces incentives	Negative behaviour
Weak informal controls	Intimidation prevents action	Withdrawal

Source: A Power (2000).

An important conclusion of this research is that people and place have a mutually reinforcing relationship. Areas are made up of individuals grouped together, and like individuals they reflect a range of characteristics. These area characteristics both help determine, and derive from, the individuals who make up a local area or community. The physical area and the residents of an area are inseparable parts of the same neighbourhood and lend each other identity. When neighbourhood conditions deteriorate it is invariably through the intrinsic characteristics reinforcing acquired characteristics and vice versa. The impact of neighbourhood decline is often urban sprawl.

Sprawl, density and neighbourhood breakdown

Research on social exclusion and urban sprawl⁶³ shows the link between the problems of urban abandonment, sprawl building and social exclusion. Inner cities suffer acute abandonment. Sprawl is encouraged by hidden government subsidies. Complex urban management problems deter would-be residents and financial incentives still favour suburban growth and green field building. However, traffic congestion creates opposition to further development. Dispersal and high-speed communication rely on concentrated, dense networks leading to the rescue and revaluation of declining city centres and inner neighbourhoods. In addition, environmental and development pressures may cause a revaluation of both urban and green field land leading to more compact cities and greater cohesion.

Investigation of the environmental costs of sprawl, the indirect Treasury subsidies to green field building and the cost barriers to brown field buildings all fuel the problems of urban abandonment and social exclusion. Evening up the financial framework between brown and green field development would prevent unnecessary sprawl and encourage urban recovery. Nothing would more clearly work against social exclusion. The interaction of social, economic and environmental pressures make a more sustainable approach to cities and land use inevitable. It is imperative that the costs to cities and to society as a whole are recognised, as this more clearly than anything else will clarify the choices we face.

Race relations

A specific and concentrated study carried out in 2000 of Bradford of the sharp racial divisions within it⁶⁴ gave us a completely new insight into the extent of the problems facing urban residents across the Midlands and the north of the country. The research was completed as disorders broke out in many of these communities. The most striking findings are:

- The intense decline of the city centre, leading to deserted streets by the early evening, many empty buildings, closed shops and lack of civic identity;
- The rapid transition of streets from white to Asian occupation, encouraged by estate agents;
- The deep and highly entrenched segregation of white and Asian children in the city schools;
- The very poor condition of many council estates, nearly all white, deterring Asian access;
- The high level of fear of moving to estates expressed by Asian families and acknowledged by white residents;
- The general dislike of present tensions and divisions and the strong desire to restore the city, to rebuild harmonious race relations and to create a more positive social environment for children.

We conclude that Bradford and other cities with similar problems have to fundamentally change their approach to promote inter-racial understanding with all levels, ages, organisations, create multi-racial teams for everything Bradford does, particularly housing, education, policing. Integrate schools and youth activity to help young people communicate

⁶³ A. Power (forthcoming, January 2002) 'Social exclusion and urban sprawl – is the rescue of cities possible?', *Regional Studies*.

⁶⁴ P. Ratcliffe and A. Power *et al.* (2001) *Breaking down the Barriers*, Chartered Institute of Housing.

with each other and reduce open violence. Rebuild the centre city for all. To achieve such radical change, the Council proposes to reclaim historic buildings and re-establish traditional street patterns, as well as develop a cross-party, cross faith action plan to restore Bradford's great civic record.

The future of cities

A significant over-arching part of our work on cities was carried out by Anne Power with architect Richard Rogers to show how the built environment, architecture and urban design fit with the social dynamics of urban neighbourhoods and cities as a whole.⁶⁵ The idea of the compact city is central to this work, showing that citizens gravitate towards a compact city because they like its energy, opportunity, diversity and excitement, all of which are the results of close proximity. We argue that attractive, integrated urban environments are the product of choice and good design. We can make them come about if we want to, although obviously no one individual or group can do it. Cities require both collective action and a host of individual efforts. To make cities work in all their parts, at city-wide and neighbourhood levels requires fitting together the hundreds of elements that cities need – enterprise, homes, transport, leisure, culture, education, other public services, green spaces. This involves not just vision, but architecture, engineering, social and communication skills, organisation, leadership and a productive economy.

Cities are about sharing spaces for a collective purpose – prosperity, progress, prospects. To succeed, we need to reinforce the collective role of cities. It is this role that has been eroded through the dispersal of populations into scattered suburbs and through the break-up of compact city patterns by planned, single function estates and by fast roads.

Compact cities are at the opposite pole from urban sprawl, where new homes are scattered on open land away from the connecting points of society. Compact cities are easy to get around by public transport and on foot. They create a mix of activity, income and style using shared public spaces. People roundly rejected the old, over-dense, filthy, disease-ridden, impoverished industrial cities and fled if they could. Now people are returning to some city centres, seeking a new kind of density, living and working within walking distance. We need to work from the city centre outwards starting by reconnecting the innermost neighbourhoods, which are only minutes on foot from vibrant centres.

We identify five key reasons for changing the way we run cities, shown in Table 6.2. We then show how these issues might be tackled through a combination of more careful design and better organisation.

⁶⁵ R. Rogers and A. Power (2000) *Cities for a Small Country*, Faber.

Table 6.2: Five key reasons for changing the way we run cities

Reason	<i>Problems and pressures</i>
Land	Undervalued land & unsustainable use Unequal VAT for repair & new build Hidden subsidy to green field building Cost of brown field contamination & reclamation Urban sprawl, low density & neighbourhood abandonment
Economic & Social Integration	Poverty / unemployment / job losses / skills gap Area polarisation – alienation / disorder / anti-social behaviour Ethnic disadvantage & concentration Vandalism & environmental degradation Community fragmentation – family breakdown & child-care problems Investment and enterprise gap
Traffic	Overuse of cars & congestion Accidents / Pollution Walking & cycle decline & danger Rail overload & disinvestment Buses slowed by traffic
Environmental pressures	Unmeasured impact and hidden costs of development Inadequate recycling of waste & rubbish Energy inefficiency & overuse – pollution of air / ground / water Greenhouse gas emissions & global warming Loss of greenery, trees & land
Urban governance	Weak political leadership / weak public participation / sense of powerlessness Loss of urban "professionals" – hands-off systems Depleted mainstream urban services – education, health, police, etc Neglect of parks & open spaces Neglect of public realm, urban environment, vandalism, insecurity

Source: Rogers and Power (2000).

(b) Poor areas

CASE's 'areas study' examines major questions about deprived areas in England and Wales: where, and what kind of areas are they? What is their current situation, absolutely and relative to others? What is the direction of change? What explains the changes that are observed?

The first stage of our work, started by Philip Noden and continued by Ruth Lupton, involved mapping and analysing the distribution of poor areas in England and Wales.⁶⁶ We identified 284 'poverty wards' – the poorest in the country on indices of work poverty and relative deprivation in the 1991 Census. The majority of these were urban, and located in areas of established decline – the North-East, North-West, London and Wales. Two-thirds had more

⁶⁶ H. Glennerster, R. Lupton, P. Noden and A. Power (1998) *Poverty, social exclusion and neighbourhood: Studying the area bases of social exclusion*. CASEpaper 22. London: LSE.

than 50 per cent social housing in 1991, but there were also areas of low income owner-occupation and private renting. We found large tracts of poverty in large cities, and small pockets elsewhere.

We selected twelve of these areas to follow, and smaller neighbourhoods within them, that matched the overall distribution of the ‘poverty wards’ in terms of region, ONS area type classification, housing tenure, location, and ethnic mix. Although no selection could represent the situation in every disadvantaged area, we are confident that every major ‘type’ is represented at least once. The sample enables us to identify some trends which apply across all areas, some which vary by type and others which seem driven by particular local characteristics. Among studies that attempt to look in detail at local circumstances, it is one of the most comprehensive undertaken in this country in recent years.

We have used four main sources of information to study their circumstances and track their fortunes:

- Administrative data, such as unemployment rates, benefit claims, crime data, and school performance. We have tracked these since 1998 and earlier where possible.
- Local secondary sources, such as reports, community surveys and local newspapers.
- Interviews with front-line workers and residents. We established the baseline position by interviewing 20-35 people in each areas (over 300 in all) and attending youth groups, tenants meetings and local conferences. The first round of these interviews took place in 1999. They are being repeated in 2001, and again in 2003 and 2005 if funding permits.
- Field observations and photographs.

From this initial round of work, we have produced two main outputs. Ruth Lupton’s baseline report *Places Apart?* was published by CASE in 2001.⁶⁷ It sets out the position of the areas in 1999 and is accompanied by a set of detailed descriptive and statistical profiles, one for each area. A book, *Poverty Street*, is in draft. The very large amount of data collected enables the identification of broad trends in the fortunes of the areas, and the close examination of specific issues, such as the work of community groups, the consequences of low housing demand, or the operating difficulties of public services.

It is a mistake to think of deprived areas as though they fit a particular blueprint. The areas in this study include inner city areas, outer estates, a seaside town and mining villages. There are areas of mixed tenure as well as council estates, white working class areas as well as those with a dominant ethnic minority group and those with diverse ethnicity. Some of the areas are relatively attractive and in good physical condition. Others are extremely run down. Some have few empty properties while others are between a fifth and a half empty. Some are renowned for crime and drug problems, while others are not. Some have excellent facilities and services, while residents of others complain that they have been neglected over the years. In some, there is a myriad of community groups and voluntary organisations; in others relatively few. Residents of some talk about the strength, homogeneity and stability of the community, whilst others note rapid population change and a diversity of different people and interests. In some areas, our ‘baseline position’ comes at a time of very rapid change, whereas other areas are currently more stable. Some areas are experiencing economic recovery close to the national rate. Others are lagging well behind, even relative to other areas in the same cities. However, they share many common problems (Table 6.3):

⁶⁷ R. Lupton (2001), *Places Apart? The initial report of CASE’s areas study*, CASEREport14. London: LSE.

- Unemployment is higher than average, and in every case, levels of literacy and educational attainment are lower than average.
- Educational participation, both at school and among adults, is low and there is a thriving informal economy.
- There are problems with the quality and maintenance of the housing stock.
- Crime is above average and there are concerns among residents in all areas about drug use and dealing.
- Shops, banks and other vital services are struggling, although a reasonable level of provision remains in most areas.
- The areas are all regarded as undesirable relative to other areas around them, and the stigma that is attached to them is difficult to shift.
- Levels of physical and mental ill health are high.
- Early childhood disadvantage associated with poverty and with parenting problems and family fragmentation is a common problem across the areas, starting a cycle of disadvantage that is difficult to break. Many people lack confidence in their own abilities and prospects, and in their ability to effect change in the neighbourhood and influence decision-making by local agencies. In many areas there is a mistrust of authority and, under pressure, social networks in some communities have become narrower and less inclusive.

Table 6.3: Problems Most Commonly Identified by Residents

Problem	Number of Areas where Problem Mentioned
Drugs	11
Anti-social Residents	10
Youth Nuisance/Nothing for Young People	9
Crime/Anti-social behaviour	8
Loss of Community	7
Empty Homes	6
Stigma/Reputation	6

Source: Interviews in 12 areas

The poverty ward analysis shows a pronounced spatial concentration of poverty in England and Wales in 1991. This ‘poverty pattern’ has been established throughout Britain’s industrial history. Our analysis of historical data from the twelve areas demonstrates how it became even more entrenched during the 1970s and 1980s. Industrial re-structuring and urban population decline widened the gap between the poorest areas and the rest. For example, between 1971 and 1991, the population nationally grew by 4 per cent, but the Valley (our study area in Sheffield) lost 21 per cent of its 1971 population in that period, and East-Docks, in Newham, lost 10 per cent.⁶⁸ All of the wards in Sheffield and Newham saw an increase in car ownership in this period, but car-rich areas in 1971 gained more than car-poor areas, stretching the gap between the richest and poorest. One ward in Newham saw just a 1 percentage point gain in this twenty-year period, compared with a national increase of

⁶⁸ The names for the study areas used here and in our publications are pseudonyms.

20 percentage points. By 1991, there was a sizeable gap between the poorest areas and others. Most deprivation indicators for the poverty wards were two to three times worse than the national average. For example, nearly three times as many children (28 per cent) were in single adult households in the 'poverty wards' than was the case in other wards (11 per cent). They had twice as many deprived households (on a composite index) and nearly twice as many people not working, studying or training.

Far from effecting a more even spatial distribution of poverty, the major economic and social changes of the 1990s have widened the gap further. For example, unemployment in the study areas fell less proportionately between 1996 and 2000 than it did in their districts as a whole (although percentage point falls, from a high base, were greater). All the areas had a greater share of their district's unemployment in 2000 than in 1996. Similar trends are evident in relation to Income Support claims. The changes are small, but they are consistently in the wrong direction.

Broad economic and social changes are at the root of these changes:

- Economic restructuring has created an increasing division between individuals and households employed in higher level or secure jobs and those who are out of work or in low-paid, low skilled work, or insecure part-time jobs. This restructuring is continuing. The majority of the areas are still losing manufacturing jobs even though most are gaining retail and service sector jobs.
- Population is still being lost. Comparable population estimates from 1991 and 1998 are available for ten areas.⁶⁹ Six of these experienced population loss during this period, while the national population grew. The main reason for the change is that more people are moving out than moving in – in most cases the ratio of births to deaths is as high or higher than it is nationally. Our study neighbourhoods in five of these six areas have low housing demand and high levels of empty property in 1999 (Table 6.4).
- Where there is population gain (four areas gained population faster than the national average), the proportion of people from disadvantaged ethnic groups is also increasing, thus maintaining the concentration of poverty.
- Council housing, which is the majority tenure in nine of the twelve areas, has become increasingly a tenure for the disadvantaged. In 70 per cent of social housing households, the head was not in paid work in 1996.⁷⁰

⁶⁹ Boundary changes since 1991 make comparison for the other two areas impossible.

⁷⁰ C. Howarth *et al.*, (1998) *Monitoring poverty and social exclusion: Labour's inheritance*, Joseph Rowntree Foundation.

Table 6.4: Empty Properties and Housing Demand 1999: Study Neighbourhoods in Population Loss Areas

Neighbourhood (area, borough)	Level of Empty Properties in Neighbourhood 1999	Description of Level of Demand by Local Housing Manager
Saints Walk (Overtown, Knowsley)	7% (worse in pockets)	Low – no waiting list
Rosehill (Riverlands, Nottingham)	2%	Low – no waiting list <i>“if there was a level playing field, no one would choose Rosehill at all”</i>
Sunnybank (Shipview, Newcastle)	25%	<i>“Nil”</i>
East Rise (The Valley, Sheffield)	Houses- few Flats – 25%	Low – no waiting list
Borough View (Southside, Redcar and Cleveland)	20% private sector 3% Council	Low – small waiting list for one estate <i>“hand on heart I can’t say there’s a demand”</i>
Southmead (Kirkside East, Leeds)	7% (1998). Worse in pockets	<i>“low to non-existent”</i> . No waiting list

Source: Interviews with Housing Managers, 1999

We gathered a wealth of evidence of neighbourhood problems in areas where the poor and vulnerable are concentrated, including anti-social behaviour, crime and fear of crime, run-down neighbourhood environments, and the loss of shops and financial services. More importantly, we have been able to explore the interlocking processes by which these problems develop:⁷¹

- The disproportionate problems caused by a small number of individuals behaving anti-socially or criminally. In Southmead (Leeds), for example, the housing manager described how clusters of properties are difficult-to-let because, *‘certain street names put people off – it’s the stigma of crime and vandalism. People who are coming to live here have local knowledge – they know where they don’t want to live. It’s not about the houses- it’s the joy-riding, the kids..’*. Albion Close was virtually emptied out by a few families who established a climate of *“rough justice”* and crime, even burning houses out. Even after demolition and rebuilding by a housing association, with a new name, the Close is difficult to let and a third of the homes are empty. Some residents queried the point of improving the homes, *‘if you’re just going to put the same type of people back in again’*.
- The loss of shops, banks and other private sector services, because of the concentration of low income households and, in some cases, because of high crime. A resident in East-Docks (London), for example, described how, *‘the shops have declined. There used to be Woolworths and some good little shops. There’s nothing now – just food and £1 shops. There’s no choice. You can’t get toys or clothes and*

⁷¹ R. Lupton and A. Power (forthcoming), ‘Social exclusion and neighbourhoods’, in J. Hills, J. Le Grand and D. Piachaud (eds.) *Understanding Social Exclusion*, OUP.

there isn't even a cashpoint, except an Abbey National and you have to pay £1.50 if you haven't got an account there'.

- The under-performance of public services in the face of high workloads, challenging conditions and caseloads, and staffing problems.
- The loss of community cohesion and trust as social networks become organised around smaller groups of trusted friends and neighbours, and the diminution of community capacity to tackle problems, because of the climate of fear and insecurity and because there are higher proportions of vulnerable people. Many residents have also become cynical about the capacity of official bodies to redress the decline of their neighbourhoods. As one Caerphilly resident said, *'people have seen so many promises and seen nothing done. If someone from the Council came round here and said they were giving out gold ingots, no one would bat an eyelid'* (Resident activist, Fairfields).⁷²

It is a feature of all the twelve study areas that many residents spent a lot of their time locally, used local services and had most of their friends and family support networks in the immediate locality. Network ties within the neighbourhoods are often strong, but interaction outside them was limited. A resident in High Moor explained that, *'because people don't have cars you do meet people round and about and there's a good sense of caring for one another. People watch out for one another – like the terraced street type of community. There are lots of families with different generations here – mum in one house and daughter next door'*. In this context, local problems and local opportunities are particularly important, in an economic as well as a social context. An Employment Service manager in West-City echoed the comments of many when he remarked that, *'people expect local jobs because all their habits and experience are local. Their social network is local. You can't leapfrog people from the Grove to the City just like that'*. The inward focus of the neighbourhoods is compounded by 'adaptive strategies' that people adopted to cope with their situations: sometimes 'positive' such as getting together with neighbours, and sometimes 'negative' such as dealing in stolen goods or working while also claiming benefits.

As well as the problems, we found a great deal of activity and substantial resources devoted to 'turning around' these neighbourhoods: tackling the neighbourhood consequences of concentrated poverty, addressing social problems and improving economic prospects. There are good examples in many areas. They all contain at least one of the recent special initiatives; the Sheffield area all of them (Table 6.5). The most success is in improving neighbourhood conditions, where local agencies have adopted a neighbourhood focus and given residents a share of decision making. Following the difference that these programmes can make to the overall difficulties of the areas, given the broader social and economic forces at work, will be the subject of our further investigation.

⁷² R. Lupton (2000) 'Glimpses of Social Exclusion: Visits to Britain's Poorest Neighbourhoods', *STICERD Review 2000*, London: STICERD.

Table 6.5: Regeneration Initiatives and Special Funding Programmes.

Area	Major Area Based Govt-funded regeneration scheme	Other Regeneration Funding	Health Action Zone	Education Action Zone	Excellence in Cities	Surestart	TOTAL
West-City (Hackney)	✓ (NDC)		✓		✓		3
East-Docks (Newham)	✓ (SRB)		✓	✓		✓	4
Overtown (Knowsley)	✓✓ (NDC and SRB)		✓		✓	✓	5
Riverlands (Nottingham)		✓	✓		✓		3
Shipview (Newcastle)	✓ (SRB)		✓		✓		3
The Valley (Sheffield)	✓ (SRB and NDC)	✓	✓	✓	✓	✓	6
High Moor (Blackburn)		✓		✓			2
Middle Row (B'ham)	✓ (SRB)		✓		✓		3
Fairfields (Caerphilly)		✓					1
Southside (Redcar/C)	✓ (SRB)		✓		✓		3
Kirkside East (Leeds)		✓	✓		✓	✓	4
Beachville (Thanet)		✓				✓	2
TOTAL	7	6	9	3	8	5	

Drug markets

Findings from the first phase of the twelve areas study revealed that buying and selling of illicit drugs, particularly heroin and crack cocaine, was one of the main concerns of residents. It is a problem that seems to be increasing and responses by the police and other agencies seem insufficient. An exploratory study by a CASE User Fellow John Graham from the SEU and Home Office, within some of our study areas, shows that the shape of the problem differed greatly between them. In 2000, CASE was jointly commissioned (with the Criminal Policy Research Unit at South Bank University) to report on the problems of drug markets in deprived neighbourhoods. The report, *A Rock and a Hard Place*, will be published by the Home Office.⁷³

The research is based on eight research sites, including five of the twelve study areas and three sites known to SBU. In each site we interviewed front line staff from organisations such as the police, drug treatment agencies, housing and youth services, as well as a small number of drug users and other residents. Our aims are :

- To identify the extent of drug market activity and describe its nature and scale;
- To draw out any associations between types of area and types of drug market;
- To understand how drug markets impact on neighbourhoods and on their prospects for regeneration;
- To find out how local agencies and communities are tackling drug markets, and with what effect.

⁷³ R. Lupton, A. Wilson, T. May, H. Warburton and R. J. Turnbull (forthcoming) *A Rock and a Hard Place*, Home Office.

All eight areas have active drug markets. Heroin is easily available in all of them and crack cocaine in six. The availability of both drugs is reported to be increasing, with crack cocaine increasing more rapidly from a lower base. Established divisions in the sale of heroin and crack are being eroded. Drugs are becoming cheaper in real terms. In most markets, there has been an increase in violent incidents and use of firearms. Most deals are done within 'closed' selling systems; between sellers and buyers known to each other, and conducted by mobile phone, although open systems (with casual trade) are also found in large inner city markets with wide reputations. These markets tend to be more fluid, vulnerable to competition and violent than smaller local markets.

The drug markets impact on neighbourhoods in a number of ways. Some of these seem to be diminishing, such as discarded used needles, or nuisance associated with fixed dealing sites (which had reduced with the trend towards mobile phones). However, violence associated with drug markets is increasing, causing fear and restricting residents from giving information to police or getting involved in collective action to combat the drug market.

The interventions of local agencies are not in proportion to the scale of the problem. The police mainly adopt low-level enforcement strategies to manage the market. Treatment is excellent in some areas, but insufficient or non-existent in others. Education is being delivered in most schools but there are few opportunities for preventive work outside school. In none of the sites is there a co-ordinated strategy to tackle the drug market at neighbourhood level.

The report recommends that concerted action is needed to tackle this problem. Co-ordinated local strategies, based on good intelligence and incorporating enforcement, treatment and education in response to market conditions, need to be developed and implemented.

Satisfaction with Public Services in Deprived Areas

The widespread view that public services are less good in deprived areas underpins the government's National Strategy for Neighbourhood Renewal. CASE User Fellow Bobby Duffy, from MORI, analysed data from the People's Panel, a 4,400 interview survey run by MORI for the Cabinet Office, to see whether this view is reflected in public satisfaction with services in disadvantaged areas compared with others⁷⁴.

As Table 6.6 shows, ratings of services are not as bad as we may have expected. The differences in satisfaction between deprived areas and the rest are relatively few (just 11 from the 40 asked about), which may not be as great a surprise as it initially appears, as many services, such as utilities, will be fairly consistent across areas, and others, such as colleges/universities, draw users from a wide area. Among the services where there are differences, there are more which are rated *more* highly by people in deprived areas than are rated *less* highly. Those which are rated less highly are those that relate to the physical appearance of the area - refuse collection, public parks and street cleaning.

⁷⁴ B.Duffy (2000) *Satisfaction and Expectations : Attitudes to public services in deprived areas*, CASEpaper 45. London: LSE.

Table 6.6: Satisfaction with public services

	Deprived areas	Other areas
	Net satisfied ±%	Net satisfied ±%
More satisfied in deprived areas		
High Street Banks/Building Societies	+85	+76
Local Water Services*	+78	+66
Youth and Community Centres	+54	+35
Local Bus services	+51	+33
Your Local Council*	+41	+34
Train companies	+40	+26
Road and Pavement maintenance*	-1	-6
Less satisfied in deprived areas		
Refuse collection*	+69	+79
Public Parks	+60	+72
Recycling facilities	+58	+70
Street cleaning*	+33	+38

*Base: *Universal services (All); All other services (Users in the last year)*
Source: MORI/People's Panel 1998

The most convincing explanation for this apparent discrepancy is that people in deprived areas have lower *expectations* of services. People with low expectations are less likely to be critical of the same services than those with high expectations. There are good reasons to think that expectations are lower in deprived areas, given residents' lower use of private services, and so more limited benchmarks by which to judge public services, and generally lower levels of choice and feelings of influence over the services they receive. So looking at differences in satisfaction between people in different areas may not be the most helpful way to focus service improvement measures.

The analysis explored whether varying expectations might be an explanation of the picture shown in the table by comparing the ratings of better-off ("high resource") individuals in deprived areas with similar people living elsewhere, on the grounds that they may well have similar expectations. Doing this suggests that there may be more services that perform less well in deprived areas, in particular, GPs, the police, leisure centres, swimming pools, British Telecom, refuse collection, street cleaning and road/pavement maintenance. If this is correct, the pattern shown in Table 6.6 is an over-optimistic assessment of service quality in deprived areas. However, there may be other reasons for these differences within the "high resource" group, so this finding is indicative of the need for caution in using satisfaction surveys, rather than conclusive proof of lower service quality. Further, high resource groups are likely to have very different needs and priorities from the majority of residents in deprived areas, so caution is also needed in using the services with which they are dissatisfied as a guide to local priorities.

(c) Living in poor neighbourhood

How do families experience life in low-income neighbourhoods? What barriers do they face, and to what extent do everyday area problems affect them? What are the positive features? What helps, and what enhances families' quality of life? These are some of the questions our research seeks to answer in order to understand more about local area dynamics and to inform policies aimed at regenerating low-income neighbourhoods.

The first part of this research focuses on two very low income East London neighbourhoods – 'West-City' in Hackney and 'East-Docks' in Newham included in CASE's 12 Areas Study. With co-funding from the Nuffield Foundation we have also established a "sister" family study in Leeds and Sheffield. Findings from this part of the study (which started later) are described below, together with observations on contrasts and similarities between 'North' and 'South'.

East London families

The whole thrust of the study is to understand these East London neighbourhoods from the perspective of families living within them. Katharine Mumford and Bani Makkar have been conducting interviews with the same 50 families (all with children) in each neighbourhood (100 in total in London) at approximately 9-monthly intervals, in order to gain a deeper understanding of the families' lives and keep abreast of neighbourhood developments. With a very high repeat interview rate of 92 per cent so far, we are only having to replace a small number of families in each round. Results from the first round of interviews were published by CASE in 2000.⁷⁵ A book is in preparation building on this.

We recruited the families from a wide range of sources, essentially going to the places that families use and inviting them to take part in the research: school parent evenings, playgroups, church, doctors' surgeries. Once involved, the families themselves often put us in touch with other families. We included families with a wide mix of incomes, occupations, ethnic groups, composition and housing type. Analysis shows they are broadly comparable with the neighbourhoods' populations of families with children as a whole.

The first two rounds of interviews (the first completed in December 1999, the second was completed in January 2001) have already thrown up powerful new insights about the scale of neighbourhood problems, the impact of these on families, important sources of support, and the potential benefits of urban family life. Some of the most striking findings include the following.

We find overwhelming support for the notion of 'community' – 90 per cent of the families feel that community spirit matters, and people really miss it when they feel it is not there. Two-thirds identify at least some sign of its existence – describing a plethora of usually unseen, unremarked upon informal local social contacts, examples of mutual aid, and organised community activities. 85 per cent of our families are 'linked in' to their neighbourhoods in various ways – attending locally-based organisations like playgroups or support groups, helping with reading at their children's schools, going to church, taking on a

⁷⁵ K. Mumford (2000) *Talking to Families in East London: A report on the first stage of the research*, CASereport 9. London: LSE.

responsible voluntary role such as management committee member or school governor (20 per cent), or working in a paid job locally (31 per cent).

We recruited 56 per cent of our families directly through such local organisations but even so, given that a majority are on low incomes, a high proportion are lone parents and many don't work, the level of involvement is surprising. Far from being an anonymous conglomeration, Inner London has highly localised networks and neighbourhoods which families identify with and attach great importance to. Our evidence reinforces current regeneration policy which puts community involvement firmly on the agenda, often as a condition of funding. It suggests that informal, local social contacts help families manage, that they may have a particularly important role to play in low-income neighbourhoods where daily life can be tough and people are less likely to go outside their local area for work and leisure, and that these neighbourhoods have held onto something special.

One of the reasons why families think community spirit is important is that it increases understanding between people of different ethnic groups. Both neighbourhoods have become increasingly diverse since the beginning of the 1980s when they were still traditional white working class neighbourhoods renowned for racism. By 2000, just 23 per cent of the pupil population of West-City's seven primary schools was white UK; the corresponding figure for East-Docks was 54 per cent. Strikingly, Black African pupils made up 34 per cent of the West-City primary school population, and 31 per cent in East-Docks.

Half of our families raised the issue of race relations spontaneously the first time we spoke to them, and we went on to ask all the families about it. The families told us that they welcomed many things about living in such ethnically diverse neighbourhoods – a chance for their children to mix and learn to appreciate differences, greater acceptance and less racism than in majority-white neighbourhoods, the richness of opportunities to develop friendships with different people, try different foods, learn about other cultures. Many people commented that the world was becoming more mixed – that was the way it should be – living and working alongside each other.

We also found racial problems. Some Black, Asian, Turkish and Kurdish families described their experience of racism and racial harassment within the neighbourhoods. Pressures on resources such as housing and schools increased tensions. The council housing allocations system, which prioritises people according to need, was frequently a bone of contention amongst long-term white residents who saw refugees being allocated accommodation ahead of their requests for transfers.

The vast majority of families (70 per cent) prefer to live in a mixed neighbourhood. There is more support for mixed neighbourhoods amongst black and Asian families (76 per cent) than white UK families (58 per cent). Both black and white residents express concern that the neighbourhoods should not become "majority minority". Preserving the benefits of these mixed neighbourhoods will depend upon sustaining the everyday personal contact that people have with each other, tackling tensions (by introducing more transparent allocations processes for example), and trying to reverse trends towards segregation.

Changes in the ethnic composition of the neighbourhoods' populations have occurred alongside many other dramatic shifts. West-City, with its sought after location on the fringe of the City of London, has seen house prices rocket, and the East-Docks' property market has also taken off though prices remain low by London standards. Both neighbourhoods are the

scenes of much building activity. In West-City disused warehouses are converted into luxury flats, and the old buildings alongside the canal are being transformed for both residential and commercial use. In East-Docks, a new station, hotel, pedestrian bridge, major exhibition centre are all changing the landscape. A new 'urban village' on the fringes of East-Docks continues to grow.

Both neighbourhoods are also the recipients of major government regeneration funding. Both are part of a Health Action Zone. In West-City, the New Deal for Communities is getting underway. Some of its first projects have improved council housing – the installation of secure door entry systems with intercoms seems one of the most popular projects so far. There are much bigger plans – including major refurbishment of council flats, a new bus service, and a total revamp of the main public park. In East-Docks, the Single Regeneration Budget has funded significant improvements to council maisonettes. East-Docks is also part of an Education Action Zone. A brand new secondary school has been built, and a primary school completely rebuilt. The majority of families in both neighbourhoods feel schools are improving on many fronts – leadership, homework, results, discipline, as well as in the physical fabric – though most caution that they still had a long way to go.

The regeneration programmes in both neighbourhoods also aim to reduce worklessness, support local firms and stimulate community enterprise – we will be keeping in touch with progress. Both neighbourhoods are close to the booming economies of the City of London or Docklands, but often remain cut-off from them. Unemployment rates have been falling significantly since 1996, but still far exceed national averages. (In April 2000, Hackney had an unemployment rate of 9.8 per cent, and Newham 11.7 per cent, compared to a national rate of 3.8 per cent.) Amongst our families, roughly half of the mothers are at home, and half in paid work. Many work locally; one third walk to work. We find many examples of gradual career progressions enabled by small amounts of employer-provided training, for example within local schools. Women appear to be benefiting more from the buoyant London labour market than men, but still experience barriers. Of those mothers who want to return to work, more than a half said that lack of qualifications was the major barrier.

Alongside the striking and very visible physical improvements, together with the encouraging progress being made in schools and the level of inward investment, many families feel that social conditions were getting worse. We find shockingly high levels of crime and other disorder which feed into high levels of insecurity and worries for children. As controls reduce and anti-social behaviour escalates, valuable public spaces like parks suffer. The families' high level of concern about crime, vandalism and drugs is based to a large extent on actual experience. 39 per cent of our families had experienced a crime within the last twelve months. There is a huge gap between the experience of families in high crime neighbourhoods such as these, and the rest of the country. Crime, disorder and fear are muting the effects of the positive developments taking place.

This is particularly an issue in terms of children. On many occasions the mothers we interviewed viewed safety as important because of their children. Often they say that they fear for their children's safety above their own. On some occasions, mothers said that they would not worry so much about safety if they didn't have children. Some feel that as their children are getting older and reaching an age where they wanted to play out with their friends, safety is becoming a much more acute worry for them. A lone father who is bringing up his son on his own also talked about safety as being important because he has a child. These comments ran as a theme, through the interviews in both Newham and Hackney.

The areas are changing and this is being reflected in Bani Makkar's latest interviews. For instance, in West City perceptions of the families of the changing profile of the area vary between good and not so good. There is considerable concern that even though the image of the area may be improving which is good for everyone, it is still unclear as to how it would benefit them. One resident commented that, 'you see signs for penthouse flats, and I think for goodness sake, we don't want penthouse flats, we want ordinary housing'.

In summary, there are four striking findings that we did not expect:

- Firstly, the generally positive view of area improvements. People often feel that their neighbourhood is starting from a low base, and that much more remains to be done, particularly to tackle social conditions. But they are optimistic about progress they are seeing in physical improvements, facilities for the community, and (East-Docks) transport. Far more are hopeful that the neighbourhoods would continue to get better, compared with views of area improvement nationally.
- Secondly, the positive view of school improvements. Parents of school-age children believe that many of the primary and secondary schools are getting better in all sorts of ways. They identify improvements in school leadership, teaching, results, discipline, translation, activities on offer, image and homework.
- Thirdly, the families' thought on race relations. Most people are very conscious of the issue of race, with a mixture of views. There are more positive or neutral comments than negative comments.
- Fourthly, the strong desire for more community spirit and strong sense of missing it when it was not there. This really mattered to people. Around a half of the families (just above the national average) feel that their area already has a lot of community spirit. But far more want community spirit to exist. Most want to feel at least informally connected to neighbours, to experience friendliness, and to know that there were people nearby who they could turn to if necessary.

Families in Leeds and Sheffield

With co-funding from the Nuffield Foundation we extended the CASE Neighbourhood Study to Leeds and Sheffield from May 2000. The study focuses on one medium sized area in each city. Each area has a population of approximately 20,000 people, is a low-income area and is also part of the 12 Areas Study. In each we have again recruited 50 families with children (so there are 200 in the four areas of the Neighbourhood Study altogether). The first round of interviews was completed by Helen Bowman in November 2000 and the second round in July 2001. The third round will be completed in March 2002. The report from the first round of interviews was completed in September 2001.⁷⁶ The key findings from this include:

- *Housing*: Council tenants have real concerns about the repair, maintenance and modernisation of their houses. Empty housing makes tenants feel isolated and contributes to a sense of local deterioration.

⁷⁶ H. Bowman *Listening to families in Leeds and Sheffield: A first stage of the research* (forthcoming), CASereport.

- *Satisfaction with the area as a place to live:* Very local areas around the home are felt to be more familiar and safe by those who live there but can be threatening for those who don't.
- *Moving home:* People who want to move give both property and area-related reasons. Tenants are more likely to want to move because of the state of their property, especially council tenants. Children, friends and finances often tie people into a particular location. Bad relations with neighbours and local deterioration prompt people to move away from their immediate area. Unhappiness with the area as a whole drives people out, as long as they can afford to move. Tenants in council housing have difficulty moving out unless they can afford to move to private accommodation.
- *Satisfaction with the area as a place to bring up children:* Parents worry about how to offset negative influences and dangers threatening their children. Each area has facilities and activities for children but both have populations of children under 16 above the national average, making enormous demands on local youth provision.
- *Changing childhoods:* Parents feel that in the past children were freer but more disciplined. Now they feel children are restricted more aware but less disciplined: on the one hand unable to play out freely; on the other aware of drugs and crime. Local provision for children is inconsistent, available one holiday but not the next, for some age groups but not others. On the positive side there are some play areas, some organisers and some activities that children can and do use.
- *Community Spirit:* Many more people feel that community spirit matters than think it exists. Neighbours are the most important source of community spirit offering concrete support with children. Community spirit promotes friendliness, trust and security and makes the areas a better place to live. Where people don't think it exists, they 'keep themselves to themselves'.
- *Race:* For many in the Sheffield area, diversity is welcomed. The area is praised by many as offering a multicultural, tolerant and interesting atmosphere for people to live in. For some it creates tension. There is a sense of increasing segregation in the local schools along with a shortage of resources to facilitate the needs of children and parents who speak English as a second or other language. The stigmatisation of the area from outsiders is a constant concern for residents.
- *Schools:* On the whole parents are satisfied with the schools their children attend. They are often aware, however, that school reputations exist in both very local and much broader contexts. Those with the option to send children to other schools are more negative about local provision. Those who feel restricted to local choices may be aware of problems but also try to highlight the positive aspects of what is available to them. Parents rely on local information networks to make decisions about which school their children will attend, along with their perceptions of their children's needs and, at secondary level, where the child wants to go. While many parents feel confident about supporting their children's homework at primary school far fewer are as confident when it comes to secondary school. Where schools have managed to help parents to support their children this has been welcomed. However, some parents are not confident in accessing this support.

- *Changes in the areas:* Investment in the areas makes some people feel that they are getting better. Concerns about crime and drug use and dealing make others feel that the areas are getting worse. General untidiness is a constant frustration for some parents and the lack of facilities for children is a common concern for the majority of parents.
- *What would help families?* By far the largest number of families said that a little more money would be of most help to them at the moment as their highest priority.

North and South

The two London neighbourhoods are close to the richest area of London and the country. The new Jubilee Line makes East-Docks only minutes away from the City while West-City is walking distance from it. This gives these areas a dynamic, fast-changing atmosphere with Right to Buy flats on old council estates selling for more than double their official Right to Buy price. This puts significant pressure on low income tenants; but it also connects them to a world they are literally on the edge of.

In sharp contrast, the two Northern neighbourhoods seem to be in another world, though they are also sharply distinct from each other. Kirkside East, a large almost exclusively white council estate, has a majority of lone parents, low income families. Its spacious streets, gardens, greens, community centres, and shopping parades have a run-down air: some streets have boarded up, vandalised houses. Yet its large new Tescos and Family Learning Centre are promoting local training and employment with some success. The Valley neighbourhood in Sheffield, steeply rising from the city centre, is a mixed Victorian terraced area with some council flats and new housing association developments. It is heavily littered, has many empty buildings and bare sites, is home to a number of refugee groups, as well as some upper income families in the York stone terraces at the top of the hill. Many council blocks stand empty and are being gradually demolished.

There are striking similarities between the North and South. The 200 families in the four areas face four key problems: shortage of money was identified as the element in their lives that would make most difference; crime, disorder, drug abuse and neighbour problems have a disproportionate impact on the families' lives, influencing their desire to move; mothers fear for their children's safety and often feel they must keep them indoors or within their immediate sight; the rapid ethnic change in three of the four neighbourhoods produces many tensions and anxieties, often expressed as competition for scarce resources such as teachers' time because of language problems or frustrated need to move to a bigger home or nearer parents because of housing pressures.

At the same time, in all four areas, families overwhelmingly regard community as an essential asset because it means people watch out for each other, trust and help each other, make it 'home' and 'make everything worthwhile'. Because of this sense of community worth people express remarkable understanding and tolerance of ethnic change and diversity, want their neighbourhood to work and generally support the efforts to improve conditions. It is easy to see how more coherent management of basic public services – street cleaning, repair, care for the environment, visible policing – would make a radical difference to the lives of these families, creating a stronger street presence and deterring some of the more anti-social abuse they are forced to tolerate (see 10(b) below).

7. SOCIAL EXCLUSION: CONCEPTS AND MEASUREMENT

As indicated in our original application, we have pursued more conceptual work under the auspices of the Society strand, though only limited staff time has been available. The central questions we have addressed are: How is social exclusion to be defined? Can the concepts be operationalised, and if so, how? To what extent is measurement limited by lack of the right kinds of data?

(a) Concepts

Tony Atkinson⁷⁷ points to three elements that recur in any discussion of social exclusion: relativity, agency and dynamics. Relativity refers to the fact that people are excluded from a particular society in a particular place at a particular time: there is no ‘absolute’ social exclusion. The issue of agency arises because exclusion is an act, implying that there is an agent who undertakes that act. This could be the excluded themselves, in which case the exclusion is voluntary; or, more likely, it is other members of society, in which case the exclusion is involuntary. The dynamic element arises because exclusion implies not only currently being without a job or income but also with little prospects for the future.

Tania Burchardt, Julian Le Grand and David Piachaud⁷⁸ (BLP) pick up the ideas of relativity and agency in our attempt to find a definition of social exclusion that is useful for empirical work (discussed below). The definition we propose may be paraphrased as follows: ‘An individual is socially excluded if (a) he or she is geographically resident in a society, (b) he or she cannot participate in the normal activities of citizens in that society (c) he or she would like to so participate, but is prevented from doing so by factors beyond his or her control’. Conditions (a) and (b) imply relativity; condition (c) emphasises the importance of agency.

The implication of condition (c) of this definition is that the only form of exclusion that is socially problematic is that which is involuntary and which actually causes the excluded personal distress. Brian Barry⁷⁹ argues that this may be too limiting: he draws attention to the wider conception of what he terms ‘social isolation’, which would include voluntary social exclusion as well as involuntary exclusion, and goes on to argue that social isolation is wrong not because (or not only because) of any personal unhappiness it might create but because it violates two other values: social justice and social solidarity. Social isolation stands in the way of equality of opportunity and hence is socially unjust. It also creates fissures in the wider society that are bad for the members of the society on both personal and political levels. This implies that self-excluded groups not considered under the BLP definition are nonetheless problematic for the wider society: such as, for instance, the very wealthy living in gated communities and confining themselves to the use of private transport, health care and education.

⁷⁷ A. B. Atkinson (1998) ‘Social exclusion, poverty and unemployment’ in A. B. Atkinson and J. Hills (eds.) *Exclusion, Employment and Opportunity*, CASEpaper 4. London: LSE.

⁷⁸ T. Burchardt, J. Le Grand and D. Piachaud (1999) ‘Social Exclusion in Britain 1991-1995’, *Social Policy and Administration*, 33(3). For a review of other attempts to define the concept, see the same authors’ ‘Introduction’ to J. Hills, J. Le Grand and D. Piachaud (eds.) *Understanding Social Exclusion*, OUP, forthcoming.

⁷⁹ B. Barry (1998) *Social Exclusion, Social Isolation and the Distribution of Income*, CASEpaper 12. London: LSE.

In work currently in progress at the Centre, Liz Richardson and Julian Le Grand are exploring the views people most closely connected to those who experience exclusion. The group is a community advisory panel for a national community support organisation, who both have experience of exclusion themselves and advocate on behalf of others. Preliminary indications suggest that their views closely parallel the BLP definition above. Social exclusion in their view arises because one is unable to participate in normal activities due to factors beyond individual control and that this is a problem because it creates personal unhappiness.⁸⁰

A related question is whether theories of social exclusion, justice and solidarity require some prior notion of a set of highly valuable achievements and opportunities that all people in a society ought to enjoy. Amartya Sen's "capability approach" suggests the characterisation of a set of this type in terms of "valuable human functionings" and "basic human capabilities". However, while Sen's "capability approach" has significant advantages, it also has theoretical limitations. In particular, the question of precisely how the elements of a basic capability set are to be identified and justified ultimately remains unresolved.⁸¹ Polly Vizard's continuing post-doctoral research aims to contribute to the growing body of literature on this issue and raises the question of whether a set of basic human functionings and capabilities can be identified on the basis of a background theory of human rights. Her research is cross-disciplinary in scope and addresses the theoretical issues raised by this question in ethics, economics and international law.

(b) Measurement

Tania Burchardt, Julian Le Grand and David Piachaud attempt to operationalise some of the CASE conceptual discussions in such a way that analyses of the extent of social exclusion in Britain today can be undertaken. We adopt the above definition of social exclusion but only with respect to conditions (a) and (b): that is, the socially excluded are those geographical residents who do not participate in the normal activities of citizens in society. This is partly because of the pragmatic difficulties involved in distinguishing between voluntary and involuntary social exclusion, but partly because of Brian Barry's argument discussed above: all non-participation may be socially problematic whether the individuals concerned are distressed about it or not. Alternatively, it can be rationalised on the grounds that very little of the observed non-participation in the 'normal activities' that we consider is likely to be voluntary, given the low thresholds set for participation.

In our early work⁸² we define five kinds of normal activity: consumption, savings, production, political and social. We use the British Household Panel Survey to provide data on indicators for participation on these dimensions, analysing them both cross-sectionally and longitudinally for the period 1991-1995. In later work⁸³ we update the work using data for years up to 1998. We also reduce the number of dimensions to four, including savings activity as a subset of consumption activity. The indicators are shown in Table 7.1 below.

⁸⁰ E. Richardson and J. Le Grand (forthcoming) *Outsider and Insider Expertise: The response of the socially excluded to definitions of social exclusion*, CASEpaper. London: LSE.

⁸¹ P. Vizard (2000), "Conceptualising Poverty in a Human Rights Framework: Foundational Issues in Ethics, Economics and International law", PhD Thesis, LSE 2000.

⁸² Burchardt, Le Grand and Piachaud (1999) *op. cit.*

⁸³ T. Burchardt, J. Le Grand and D. Piachaud (forthcoming) 'Degrees of exclusion: Developing a dynamic, multi-dimensional measure' in J. Hills, J. Le Grand and D. Piachaud (eds.) *Understanding Social Exclusion*, OUP; T. Burchardt (2000) 'Social exclusion: concepts and evidence' in D. Gordon and P. Townsend (eds.) *Breadline Europe: the measurement of poverty*, Policy Press.

Table 7.1: Indicators of Social Exclusion

Dimension	Indicator and Threshold
Consumption	Equivalised household net income under half mean income
Production	Not: employed/self-employed, in education/training, looking after family
Political engagement	Non-voter and not a member of any community organisation
Social interaction	Lacks some-one who can offer personal support

Some of the results are summarised in Table 7.2 below. This shows the cumulative proportion of the working-age population in the sample that are excluded in all, some or (by implication) none of the dimensions for the years of the BHPS we investigate. So, for instance the entry in the cell for the third row, second column, shows that 0.2 per cent of the sample were excluded on all four dimensions in both Wave 1 and Wave 2.

Table 7.2: Cumulative Exclusion over Time on Multiple Dimensions

Percentage working age population excluded on all or some of dimensions		
BHPS Wave	All	Some
1	1.5	30
2	0.2	45
3	0.1	50
4	0.0	53
5	0.0	56
6	0.0	58
7	0.0	63
8	0.0	63

Overall, the results are quite striking. They show strong associations between an individual's participation (or lack of it) on the four different dimensions, and on each dimension over time. However, there is no distinct group of socially excluded individuals: few (1.5 per cent or less) are excluded on all dimensions in any one year and even fewer experience multiple exclusion over a longer period. In fact, as Table 7.2 indicates, after four years that group has shrunk to zero. On the other hand, as time progresses, more and more people have experienced exclusion on at least one dimension; indeed after four years it has become a majority experience

The results support the view that there is no such thing as an underclass in Britain, if by that is meant a substantial group of people who are permanently excluded on the kind of dimensions investigated. On the other hand, social exclusion on at least one dimension is a phenomenon that a majority of the population is likely to experience at some point in their lives. More generally, we conclude that treating different dimensions of exclusion separately is preferable to thinking about the socially excluded as a homogeneous group.

The voluntary/involuntary non-participation issue is central to another CASE project currently being undertaken by Tania Burchardt and Julian Le Grand.⁸⁴ This is an attempt to assess the opportunities open to individuals and the extent to which any non-participation by an individual is the result of his or her limited opportunity set or the result of him or her

⁸⁴ T. Burchardt and J. Le Grand (forthcoming) *Choice, Opportunity and Employment*, CASEpaper.

voluntarily choosing not to take up the opportunities on offer. The opportunity set for an individual is modelled by comparing the activities of similar individuals: if people ‘like me’ are able to participate, then participating is also within my opportunity set. Following from that, if people with similar characteristics are undertaking an activity that I am not, my non-participation can be assumed to be voluntary.

The trick is to define groups of similar people in a way that captures all relevant characteristics. In principle, the set should include all characteristics which are beyond an individual’s control. However this introduces a range of conceptual and empirical problems. To allow for the fact that opinions may vary as to what factors it is appropriate to regard as within an individual’s control, alternative models are constructed, with possible constraints on participation being introduced in layers corresponding to the degree to which they are regarded as beyond individual control.

The empirical work examines participation or non-participation in work. Data from the BHPS Wave 8 are used to construct models with the probability of being in employment as the dependent variable and a variety of factors used to define groups of similar individuals as independent variables. The results are sensitive to the set of characteristics chosen to define “similar” individuals. These models are used to predict the probability of an individual being in employment, and this probability is then compared with his or her actual state. If the model predicts that he or she has a high probability of being work, and in fact he or she is not, then we conclude that his or her non-employment is voluntary (or due to unobservable constraints).

The results of this work are preliminary. However, as an illustration, if the only factors regarded as beyond an individual’s control are his age, ethnicity and parental social class, then the results suggest that 78 per cent of all working age men not in work in Wave 8 of the BHPS were out of work voluntarily. However, if not only these factors but also an individual’s health, education, labour market experience, education, area of residence and family were also regarded as beyond his control, then just 43 per cent were out of work voluntarily or due to unobserved constraints.

New Opportunities Fund

Becky Tunstall, Ruth Lupton, Joseph Murray and Anne Power⁸⁵ summarise existing conceptual and technical knowledge on the definition and identification of social exclusion in the UK. The research assesses a range of potential mechanisms for targeting the support of the New Opportunities Fund (the National Lottery distributing fund charged with addressing disadvantage and social exclusion) on social exclusion. We conduct some new analyses using available indices of deprivation to address empirical questions, particularly on the spatial location of social exclusion.

There are a large number of measures of disadvantage and social exclusion, and different indices can produce significantly different results. The study focuses on the Index of Multiple Deprivation 2000 (IMD), which is well constructed, widely known and used, and up to date. However, it has drawbacks as it measures multiple deprivation rather than social exclusion, it

⁸⁵ R. Tunstall, J. Murray, R. Lupton and A. Power (2001) ‘Targeting Social Exclusion’, Report to the New Opportunities Fund.

is available only for England, and appears to favour certain regions and rural areas compared to other indices.

The eighty-eight local authorities in England identified to receive the government's Neighbourhood Renewal funding using the IMD contain 41 per cent of the population but 57 per cent of Income Support and JobSeekers' Allowance claimants. The most deprived 20 per cent of wards on the IMD contain 19 per cent of the population but 53 per cent of claimants. The spatial concentration of deprivation, particularly at ward level, has increased since the 1980s. Scotland, Wales and Northern Ireland appear to contain disproportionate amounts of deprivation compared to their populations. Within England, the northern regions, London and urban areas in general appear to contain disproportionate amounts of deprivation. Further analyses show that larger spatial units are less efficient in capturing low-income individuals than smaller ones, and that all spatial units are less efficient in rural areas than in urban ones.

We conclude that there are tensions between the different principles behind strategies for identifying and targeting deprivation, and trade-offs between the efficiency and completeness of targeting mechanisms.

Regional indicators of well-being and exclusion for EU countries

Kitty Stewart is currently looking at issues surrounding the measurement of well-being and social exclusion in the wider arena of the European Union.⁸⁶ Social exclusion and its measurement are high on the European agenda: the Lisbon summit of the European Council in March 2000 declared the number of people living in poverty and social exclusion in the EU to be unacceptable, and called for steps to tackle the issue, beginning with the setting of national targets for particular indicators. Kitty Stewart's work aims to marry this approach with the more traditional EU focus on regional income disparities, by developing regional indicators of well-being and exclusion for EU countries.

She draws on a range of sources, including Eurostat, the European Community Labour Force Survey, the Luxembourg Income Study, and the European Community Household Panel, to put together regional indicators in five domains of well-being: material well-being, health, education and participation in two spheres – productive and social. This is problematic as much survey data does not include regional samples large enough to give robust estimates, even where the respondent's region is known. The work discusses the indicators we might like to include, and looks at how these can be best approximated by the available data. It also discusses issues arising from the measurement of deprivation at regional (sub-national) level, but within the European (supra-national context): for instance, should poverty be measured against a regional, national or European standard?

The ultimate aim is twofold: first, to see how far national indicators disguise geographical inequalities, and whether these are of greater concern in some countries than in others; and second, to explore the extent to which regional rankings persist across indicators in different domains. For instance, the traditional indicators used to measure regional performance are regional GDP and unemployment: do these turn out to be good predictors of performance in each domain, or are rankings on social participation or health quite different? One example of the results emerging is that mortality rates display a different pattern to many of the other indicators. For instance, France shows large regional disparities in standardised mortality

⁸⁶ K. Stewart (forthcoming) *Well-Being and Exclusion in Europe's Regions: What Can We Say?*, CASEpaper.

ratios, despite relatively strong cohesion in indicators in other domains; while mortality rates are also the one area examined so far where there is no clear-cut north-south divide in Italy.

8. ANALYSIS OF OVERALL WELFARE POLICY

Alongside the analysis of income, family and area dynamics described in the preceding sections, the Centre has had an active role in monitoring and analysing public policy in related areas and its evolution since we started work in October 1997. In this section we summarise some of our work on the overall structure and impact of policy towards poverty and the welfare state. In section 9 we discuss four more specific components of this we have looked at in detail. In section 10 we discuss the impact of policy at an area level, including both general and specifically area-focussed policies.

(a) Historical background and fundamental pressures

Given the coincidence of the change of government and the Centre's establishment in 1997, much of our research in this area can be seen as telling the story of how welfare policy has developed since then, analysing the choices made, the constraints under which it operates, and its likely impact. Yet it would be as big a mistake to assume that everything changed in Britain in May 1997 as to assert that nothing had changed. Many of the fundamental pressures remained as they were, and many of these were much the same in the UK as in other industrialised countries.

Surveying these pressures Howard Glennerster⁸⁷ focussed on three:

- Upward pressures on *demand* as a result of rising expectations, changing demography (ageing populations and more fragmented family structures), and more unequal rewards from the labour market.
- Downward pressures on the *supply* of state welfare as populations became less willing for the majority of the proceeds of (now slower) economic growth to go to state spending, as had happened from 1946-1976.
- Increased concern over *moral hazard* in the design of social security and welfare policies, particularly in terms of work incentives and family structures.

These pressures have played out in different ways in each country leaving them with varying legacies and constraints. Drawing on the 'welfare regimes' literature he divided countries between those with 'high' and 'low' tax propensities in terms of their historic willingness to pay tax (Table 8.1). The evolution of UK welfare policy in the last quarter century can be seen, he argued, as a journey away from the unsustainable bottom left hand corner – attempting to run a universalist system with a low taxpaying public (as witnessed by a tax ratio remaining in the internationally narrow, as well as low by European standards, band of 33-39 per cent of GDP since the early 1970s).

⁸⁷ H. Glennerster (1999) 'Which welfare states are most likely to survive?', *International Journal of Social Welfare*, 8, 2-13.

Table 8.1: Tax capacity and welfare regimes

	Social democratic	Corporatist	Liberal	Labourite selectivist
High tax	Sweden Norway Denmark Netherlands	Germany France Italy		
Low tax	UK (pre-Thatcher)	Japan	US UK (Thatcher)	Australia New Zealand UK (Blair)

Source: Glennerster (1999), Table 1.

(b) What's 'new' about New Labour?

We published our detailed study of what had happened to the welfare state in the twenty-five years before New Labour took power in 1998.⁸⁸ This argued that the stereotypes of both Left and Right had been wrong. There was neither a 'rolling back' of the welfare state after 1979 nor a system exploding out of control. The story was one of frustrated rising expectations and rising demands – with a lid on the budget.

In a series of papers we have taken the story on. Analysing New Labour's policies in its first year, John Hills identified four themes:⁸⁹

- The importance to the Labour leadership of shedding its 'tax and spend' image, leading to tight budget constraints, but with significant reallocation towards health and education spending.
- A strong focus on the promotion of paid work.
- A series of measures intended to reduce inequality and relative poverty, but without any general increase in real benefit levels.
- The new dominance of the Treasury in making welfare and social policy.

He suggested that in monitoring the results of this strategy on poverty, 'what we may see is a race between the positive effects of measures to increase incomes from work at the bottom, including lower unemployment, and of benefit increases for selected groups on the one hand, compared to the negative effects of falling relative incomes for other groups remaining largely depending on benefits on the other'. Much of our later analysis has indeed proved to be a commentary on this race (see below), and on the effectiveness of a strategy which we later characterised as a combination of 'selective universalism' and 'patchwork redistribution'.⁹⁰

This strategy – not least the very strong spending constraints between 1997 and 1999 and the lack of any general rise in benefit levels – has been very controversial. Looking back over

⁸⁸ H. Glennerster and J. Hills (eds.) (1998) *The State of Welfare: The Economics of Social Spending* (second edition), Oxford University Press.

⁸⁹ J. Hills (1999) 'Thatcherism, New Labour and the Welfare State' in H. Kastendiek and R. Stinshoff (eds.) *New Labour: A turning point in British politics?*, Philo.

⁹⁰ J. Hills and O. Lelkes (1999) 'Social security, selective universalism and patchwork redistribution' in R. Jowell *et al.*, (eds.) *British Social Attitudes: 15th report*, Ashgate.

New Labour's first term, however, Howard Glennerster⁹¹ concluded that the eventual policy mix did represent a coherent social policy package that is distinct from its Conservative and Labour predecessors and different from other European countries, with prospects of success in containing the demands of an ageing population, making room for greater health and education spending within a tax-constrained budget, and at least changing the distributional direction of tax and spending policy.

(c) The distributional impact of the policy mix

Following from this, a main theme of our analysis has been of the distributional impact of New Labour's measures as they have emerged. Until the March 1998 Budget there was little that would stem the pressures towards increases in relative poverty.⁹² Indeed early measures on benefits for lone parents and disabled people went the other way. But that and subsequent Budgets have incorporated a series of measures which will increase the real incomes of those at the bottom of the income distribution by comparison with those which would have applied if the tax and benefit system had remained unchanged (apart from price indexation) since April 1997. These improvements have been particularly focussed on families with children, a trend which has continued since the Prime Minister's 1999 pledge to eradicate child poverty within 20 years.

In a series of papers David Piachaud and Holly Sutherland (from the Microsimulation Unit, Cambridge University) have examined the potential impact of these measures as they have been added to.⁹³ Some of their most recent findings are shown in Table 8.2. This shows the impact effect of the Budgets from July 1997 to March 2001 on various kinds of family in terms of the numbers below a poverty line of 60 per cent of median equivalised income (before housing costs).

⁹¹ H. Glennerster (2001) 'The Blair Government's social policy record' in A. Seldon (ed.) *The Blair Effect*, Institute of Contemporary History and Little Brown.

⁹² D. Piachaud (1998) 'The prospects for poverty', *New Economy* 5(1).

⁹³ D. Piachaud (1999) 'Progress on Poverty', *New Economy* 6(3); D. Piachaud and H. Sutherland (2001a) 'Child poverty and the New Labour Government', *Journal of Social Policy*, 30(1): 95-118; D. Piachaud and H. Sutherland (2001b) 'Reducing Child Poverty in Britain: An assessment of Government policy 1997-2000', *Economic Journal*, 111(469): 85-101; D. Piachaud and H. Sutherland (2001c) 'Child Poverty: Aims, achievements and prospects for the future', *New Economy* 8(2).

Table 8.2: Poverty rates before and after Labour's policies (in Budgets up to March 2001)

All persons	Children			
	All	One parent	Two parents	
All households				
Poverty rate, April 1997 policy (%)	19.4	25.9	41.9	21.5
Poverty rate, Labour policy (%)	14.0	15.8	18.8	15.0
% point difference	5.4	10.1	23.1	6.5
Net number removed from poverty	3,090,000	1,330,000	650,000	670,000
Moved out	3,170,000	1,350,000	660,000	680,000
Moved in	80,000	20,000	10,000	10,000
Households with paid worker(s)				
Poverty rate, April 1997 policy (%)	7.4	11.5	15.8	11.0
Poverty rate, Labour policy (%)	4.9	6.8	8.8	6.6
% point difference	2.5	4.7	7.0	4.4
Net number removed from poverty	900,000	430,000	80,000	360,000
Moved out	930,000	440,000	80,000	360,000
Moved in	30,000	10,000	~	~
Workless households				
Poverty rate, April 1997 policy (%)	40.4	58.4	56.4	60.1
Poverty rate, Labour policy (%)	29.9	36.2	24.6	45.7
% point difference	10.5	22.2	31.8	14.4
Net number removed from poverty	2,200,000	900,000	580,000	320,000
Moved out	2,240,000	910,000	590,000	320,000
Moved in	40,000	10,000	10,000	~

Notes: Poverty = Below 60% of median equivalised income level before housing costs in 2001/2 prices. Numbers of people are given to the nearest 10,000.

Rows and columns may not add due to rounding. ~ indicates less than 5,000.

Source: D. Piachaud and H. Sutherland (forthcoming) 'Child poverty' in J. Hills, J. Le Grand and D. Piachaud (eds.) *Understanding Social Exclusion* (using microsimulation model POLIMOD).

Other things being equal, the measures are enough to reduce the numbers below this poverty line by about 3 million (or 5 percentage points), including 1.3 million children (a 10 percentage point reduction in the child poverty rate). However, other things are not equal, particularly against the 'moving target' of a relative poverty line. For instance, simply allowing for the impact of the measures on the median itself reduces the net child poverty reduction to one million.⁹⁴ More generally, rising general living standards mean that significant real benefit increases are required for those dependent on benefits not to fall further behind, increasing relative poverty. To illustrate the impact of this, John Hills⁹⁵ compared the impact of the measures in the earlier Labour Budgets with those which would have taken place if all aspects of the direct tax and benefit systems had simply been uprated in line with *income* growth (against the same benchmarks of price indexation). The comparison can be seen in Figures 8.1 and 8.2. To be sure, lower income families with children benefit far more from the actual measures (in Figure 8.1) than from income indexation (Figure 8.2). But for low income households as a whole the average impact of New Labour's measures is virtually identical to that of income indexation.

⁹⁴ Piachaud and Sutherland (2001c) *op. cit.*

⁹⁵ J. Hills (2000) 'Taxation for the enabling state' in J. Hills and N. Fraser (eds.) *Public Policy for the 21st Century: Social and Economic Essays in Memory of Henry Neuberger*, Policy Press.

Figure 8.1: Impact of Labour Budgets 1997-2000 (compared to statutory indexation)

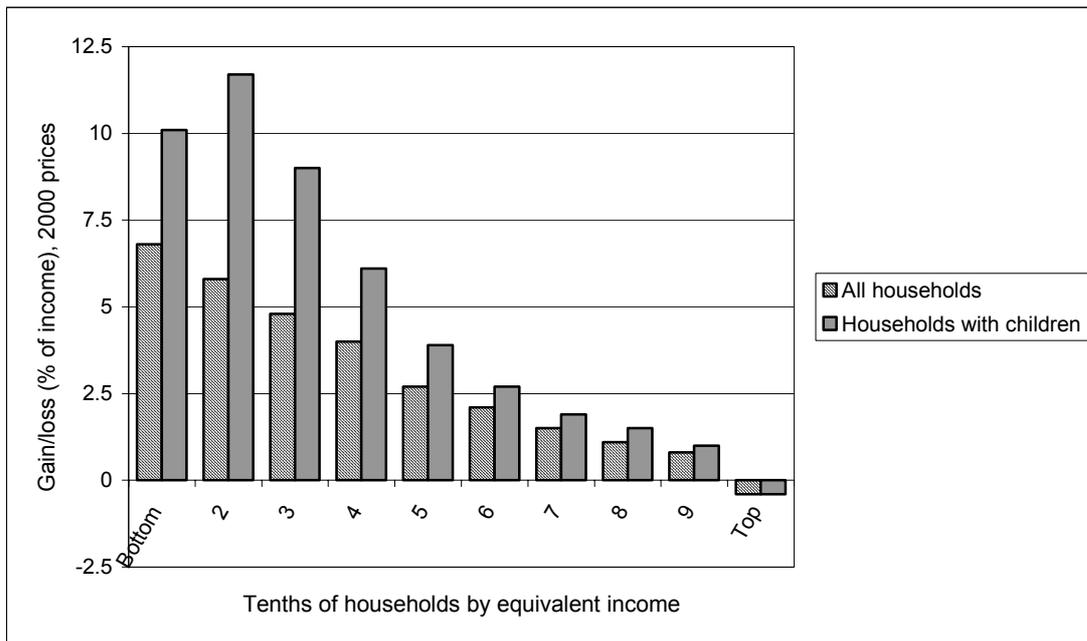
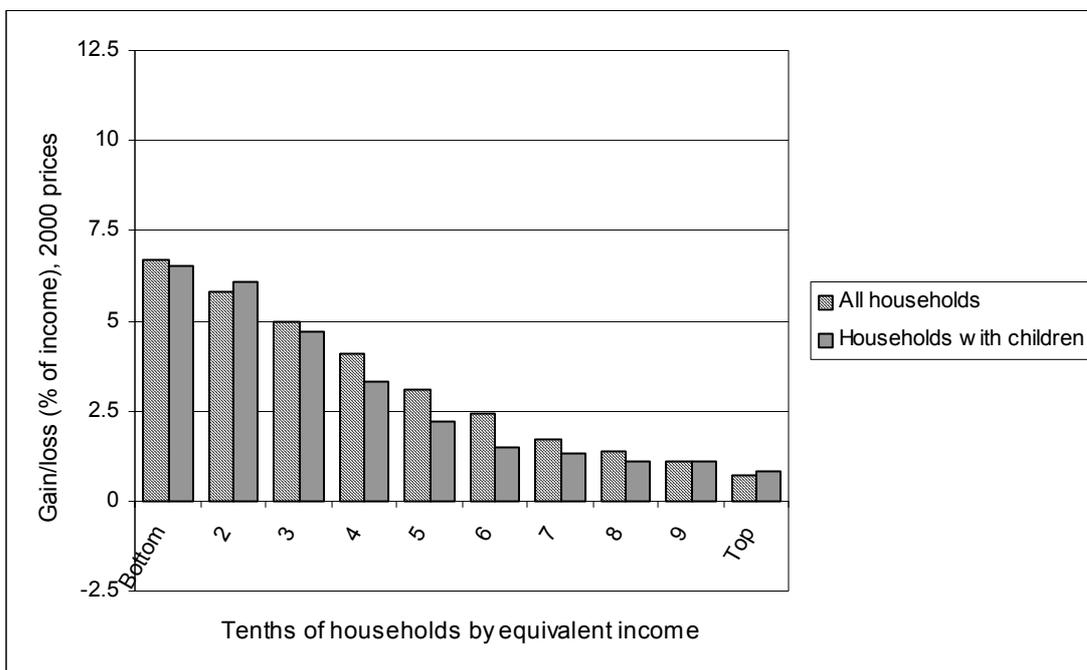


Figure 8.2: Impact of Uprating Taxes and Benefits with Incomes 1997-2000 (compared to statutory indexation)



Source

Hills (2000) *op.cit.*

He argued that this can be interpreted two ways: that the Government has simultaneously delivered as much to low income groups as more expensive 'Old Labour' policies would have done, while going with the grain of public opinion (see below), improving overall work incentives, and improving the public finances; alternatively, the reforms have only barely

delivered enough to the lowest income groups as a whole to prevent inequality rising (a factor exacerbated by the delays in implementation with further lags before results become visible).

(d) Attitudes to welfare policy and poverty

CASE analysis of the *British Social Attitudes* survey sheds considerable light on some of the public attitudes which may have been seen as a political constraint in these policies. Analysis by John Hills and Orsolya Lelkes⁹⁶ of the 1998 *BSA* survey found striking resemblances between many (but not all) actual policies and majority opinion:

- While there remains an appetite for ‘tax and spend’, the spending people want is, indeed, selective: above all health and education, but also benefits for carers, disabled people, retired people and low paid families with children.
- There is persistent public demand for reduction in the income gap between rich and poor, including through higher taxes on ‘the better off to spend more on the poor’. However, the strength of this weakens when the motive is explicitly to improve ‘welfare benefits’ or to promote ‘redistribution’.
- There are widespread concerns about benefits for the unemployed being open to fraud and causing disincentives to work. Unlike for other groups, the majority does not favour higher spending on benefits for the unemployed, rather it believes that the government should guarantee jobs for all who want to work.
- In general, there is a public preference for flat-rate benefits over either means-tested or earnings-related ones. However, for families with children a small majority favours higher benefits for poorer families (particularly low paid families with children, the targets of the Working Families Tax Credit).

A particularly striking finding from the 1998 survey was a reversal of the previous balance when respondents were asked to choose between the two statements:

‘Benefits for the unemployed are too low and cause hardship’

Or

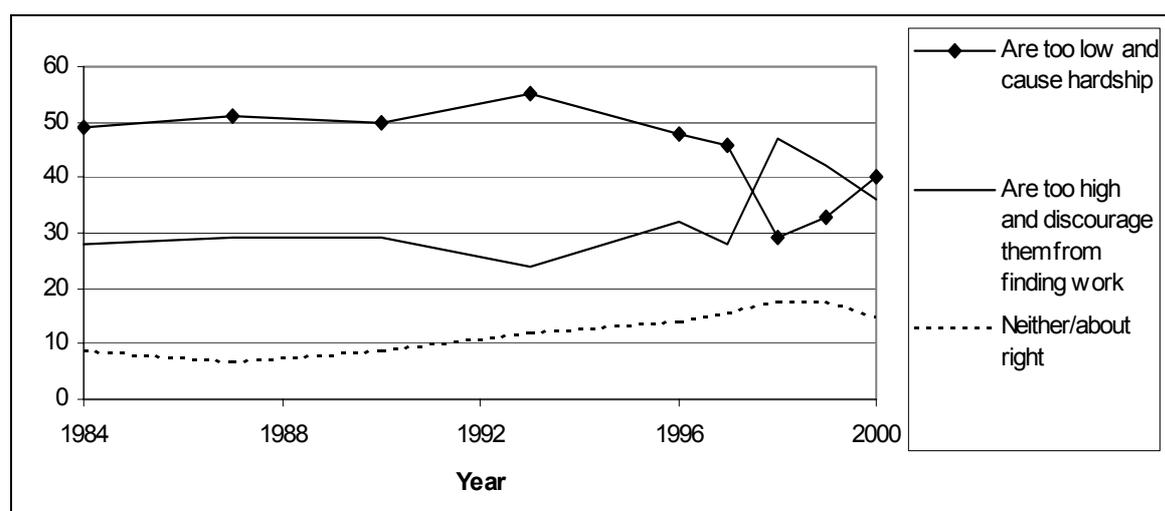
‘Benefits for unemployed people are too high and discourage them from finding work’.

Up until the 1996 survey around half of respondents favoured the former and less than a third the latter (despite agreement with a number of statements about disincentives). However, in the 1998 survey this pattern was reversed. At that point we advanced two hypotheses: government was led by public attitudes to unemployment benefits which had hardened gradually over time; or government concentration on problems of fraud and disincentives during 1997-98 and the lead up to the Welfare Reform Green Paper had increased these concerns. Our more recent analysis⁹⁷ of the 2000 *BSA* survey shed more light on this as can be seen from Figure 8.3.

⁹⁶ Hills and Lelkes (1999) *op. cit.*

⁹⁷ J. Hills (forthcoming) ‘Poverty and social security: What rights? Whose responsibilities?’ in R. Jowell *et al.*, (eds.) *British Social Attitudes: 17th Report*.

Figure 8.3: Benefits for the unemployed, % agreeing that they:



Source: Hills (forthcoming); *British Social Attitudes* survey.

Interestingly, results from the partial 1997 survey suggest that the switch here occurred *after* the 1997 election. Moreover, the balance appears now to be moving back towards its previous position. Detailed analysis showed that agreement with the ‘too high’ option is more likely by those who also express the strongest concerns about disincentives. These general concerns *have* increased over the 1990s, but have done so steadily, and have not fallen back since 1998. Agreement with the ‘too high’ option shifted upwards *within* groups expressing varying views of general disincentives. Perhaps most suggestively, the biggest swings in opinion on the question in one direction between 1996 and 1998 and back again by 2000 occurred amongst *Labour*-identifiers, supporting the hypothesis that Ministerial rhetoric can lead as well as reflect shifts in public opinion.

The 2000 survey also contains interesting results for another part of our work over this period, the measurement of ‘poverty’ and trends in it.⁹⁸ In a series of responses to questions about poverty and hardship (which can be compared to those in earlier years) the majority of respondents agreed with statements which certainly imply an implicit ‘poverty line’ which has risen in real terms since the 1980s, and is not inconsistent with the current measures equivalent to half mean or 60 per cent of median income. However, when asked to assess their *own* present incomes the proportion saying they are finding it ‘difficult’ or ‘very difficult’ has fallen from 24 per cent in 1990 to 15 per cent in 2000. If this translated into beliefs about a poverty line it would suggest one which had not risen as fast as a purely relative line over the period.

(e) Funding systems for health, education and housing

Another major part of our work over the period was investigation of the ways in which welfare systems are delivered. Part of this resulted in a book *Paying for Health, Education and Housing: How does the Centre pull the purse strings?*⁹⁹ This reported the results of a

⁹⁸ H. Glennerster (2001) ‘US poverty studies and poverty measurement: The past 25 years’ in *Social Service Review* (75th Anniversary Edition); CASereport 13 (2001) *Indicators of Progress: A discussion of approaches to monitor the Government’s strategy to tackle poverty and social exclusion: Report of a workshop organised by DSS and CASE*.

⁹⁹ H. Glennerster, J. Hills and T. Travers with R. Hendry (2000), Oxford University Press.

detailed study of central funding systems for primary health care, state schools and social landlord, including a series of interviews with both central funders and the providers themselves. Comparing across the systems (themselves complex and varying within as well as across services) we found:

- A striking common theme is the increasing stress over the last century put on geographical needs-based equity, including – indeed significantly – under Conservative governments in the 1980s and 1990s.
- All three services moved away from directly encouraging particular activities towards more use of the ‘passive’ incentives given by fixed budgets, particularly those devolved to provider units. This may now be changing with growing emphasis on performance-related funding.
- Equity objectives were seen as ‘obvious’ by health service respondents, but were less clear in education and obscure in housing. GPs and schools tended to see funding as fair, even if they did not understand it. Social landlords were fatalistic.
- All the systems were seen as complex, increasing the power of the centre. The technical quality of the systems varied greatly, with the NHS formula based on more detailed data, more sophisticated techniques, and more academic input.
- There were few accusations of party-political favouritism. There were complaints about the inequity of differential treatment between different kinds of GPs and of schools (in capital allocations). Housing respondents were more relaxed about differences in treatment. London’s position was often seen as a problem.
- Conservative reforms of the late 1980s which devolved budgetary responsibility to lower levels were welcomed and accepted – ‘ring-fencing’ of local authority housing revenue accounts, Local Management of Schools, and the aspects of the GP fundholding system which still apply to the new Primary Care Groups.

By 1999 all of these systems were under review. We suggested that one result may be less needs-based formula funding, with more grants related to central assessments of performance. However, the centre does not possess the detailed information to make good judgements about what local agencies should do. Smaller units like schools, GPs and smaller housing associations, or tenant-run estates do have the local knowledge. The temptation to bypass local government altogether may grow, not just for schools funding, but also in social housing, as its ownership is increasingly transferred to free-standing housing associations or local housing companies.¹⁰⁰ The pressure for the centre to involve itself in local detail will become irresistible, but potentially unmanageable and inefficient. The solution may involve local government becoming more of a local monitor and inspector.

¹⁰⁰ The implications of subsidy and ownership arrangements for social housing are further developed in J. Hills (2000) *Reinventing Social Housing Finance*, IPPR; and in J. Hills (2001) ‘Inclusion or Exclusion? The role of Housing Subsidies and Benefits’, *Urban Studies*, 38, 11.

9. SPECIFIC ASPECTS OF WELFARE

As well as our general studies of welfare policy and its impact we have carried out a number of studies of specific areas. These have included analysis of the system of disability benefits;¹⁰¹ ideas for basic incomes;¹⁰² and for capital grants as part of ‘asset based welfare’¹⁰³.

However, there are six areas where we have carried out more extensive studies, all through co-funded research, which are described below: private welfare; ‘welfare to work’; economic evaluation; education; pensions; and East Asian welfare systems.

(a) Private welfare

Debates about the appropriate balance between state welfare and individual responsibility, and what role, if any, the private sector should have in the delivery of publicly-funded services, have continued under the Labour government with as much intensity as under Conservative rule. A programme of work in CASE funded by the Joseph Rowntree Foundation¹⁰⁴ examined the existing role and scope of private welfare. A typology of welfare expenditure was developed to capture the complexity of modern provision, building on Titmuss’s classic divisions of welfare.¹⁰⁵ The three dimensions were finance (whether tax-funded or paid for privately), provision (whether managed by a public or private sector organisation), and decision (whether the amount and type of service is at an individual’s discretion or determined by the state). Expenditure on health, education, housing, social security and social services was mapped according to this typology and examples of each possible combination of public and private were found to exist. Overall, the ‘traditional’ welfare state – publicly financed, provided, and determined – accounted for just under half total expenditure. The dominant form of welfare varied across sectors, with social services having gone furthest down the route of contracting out (public finance, private provision), while the most significant contribution to housing came from private finance of private provision.

The mapping exercise also examined change over time, comparing the contemporary division of welfare with the pre-Thatcher period. This was taken forward by Tania Burchardt and John Hills¹⁰⁶, who charted the early progress of the then new Labour government on public expenditure and the public/private split. The impact of the Conservative privatisation drive showed up most clearly in the shift from public to private *provision* – the proportion of total welfare expenditure accounted for by private provision rose by 10 percentage points between 1979/80 and 1995/96 – rather than in the finance dimension, where the private contribution increased by under 4 percentage points (see Table 9.1).

¹⁰¹ T. Burchardt (1999) *The Evolution of Disability Benefits in the UK: Reweighting the basket*, CASEpaper 26. London: LSE.

¹⁰² P. Agulnik, B. Jordan and S. Duffin (2000) *Stumbling Towards a Basic Income*, Citizen’s Income Trust.

¹⁰³ J. Le Grand and D. Nisson (2000) *A Capital Idea: Start up grants for young people*, Fabian Society.

¹⁰⁴ T. Burchardt, J. Hills and C. Propper (1999) *Private Welfare and Public Policy*, Joseph Rowntree Foundation.

¹⁰⁵ T. Burchardt (1997) *Boundaries between Public and Private Welfare: A typology and map of services*, CASEpaper 2; T. Burchardt (forthcoming) ‘The ‘Welfare State’’, in P. Alcock, H. Glennerster, A. Oakley and A. Sinfield (eds.) *Welfare and Well-Being: Essays by Richard Titmuss*. Policy Press.

¹⁰⁶ T. Burchardt and J. Hills (1999) ‘Public expenditure and the public/private mix’ in M. Powell (ed.) *New Labour, New Welfare State?* Policy Press.

Table 9.1: Public and private welfare activity, 1979-80 and 1995-96 (£billion, 1995-96 prices)

Provision: Finance: Decision:	Public provision				Private provision				All
	Public finance		Private finance		Public finance		Private finance		
	Public	Private	Public	Private	Public	Private	Public	Private	
<i>1979-80</i>									
Education	15.3	-	-	-	5.5	0.7	-	1.9	23.4
Health	18.0	-	0.2	0.1	4.7	-	0.3	2.2	25.5
Housing	6.6	-	3.3	-	0.3	4.8	0.3	21.5	36.9
Income maintenance	46.8	7.9	-	-	-	11.2	-	15.9	81.9
Personal services	3.4	-	0.5	-	0.5	-	-	0.4	4.8
Total	90.1	7.9	4.0	0.1	11.0	16.7	0.7	41.9	172.5
<i>1995-96</i>									
Education	18.8	-	-	-	9.0	1.8	-	6.4	36.0
Health	31.3	-	0.2	0.2	9.4	0.3	0.8	7.5	49.8
Housing	7.4	-	2.6	-	1.6	9.5	1.1	48.8	71.1
Income maintenance	76.0	4.0	-	-	-	16.4	-	18.4	114.9
Personal services	5.6	-	0.5	-	4.7	-	0.7	2.1	13.6
Total	139.2	4.0	3.4	0.2	24.7	28.0	2.6	83.2	285.4

Source: Burchardt, Hills and Propper (1999).

The demand for private welfare was investigated in more detail by Tania Burchardt and Carol Propper¹⁰⁷ and Propper¹⁰⁸ using the British Household Panel Survey and British Social Attitudes survey. Characteristics of private welfare users varied according to the particular service under consideration. Private inpatients were a particularly select group with significantly higher incomes, and higher proportions identifying with the Conservative Party and living in the South East than users of other private health services such as dentistry or eye care. Past use of a particular service was found to be a strong predictor of present use and there was evidence that in the case of private education, this carried across the generations. However, although those who purchased one private service (for example, a personal pension) were more likely to also use other private services (for example, private medical insurance), wholesale opting out of state welfare was found to be very rare.

Evidence on the relationship between attitudes towards public services and use of private services is complex. Use of private health care and of education appears to be associated with lower support for the principles of universal free provision, but there is little evidence that increasing private use undermines support for the NHS or for state spending on education. Part of the explanation for this apparent anomaly may be the continued reliance

¹⁰⁷ T. Burchardt and C. Propper (1999) 'Does the UK have a private welfare class?' *Journal of Social Policy*, 28 (4): 643-665.

¹⁰⁸ C. Propper (2000) 'The demand for private health care in the UK', *Journal of Health Economics*, 19: 855-876.

on state welfare of even those who use some private services – emergency services and General Practice in the case of health care, and primary schools, sixth forms and universities in the case of education.

The way in which tax-financed welfare is organised has an effect on the individually-financed services people buy. In the absence of any state-financed provision, the higher people's income the more they tend to buy, but the amount bought at any particular income level varies according to the priority given to that good or service relative to others. If the state provides a universal flat rate service of the same value to all, individuals may be able to add to it privately. The effect of state intervention is to set a minimum level of provision below which people do not fall (as is the case with the basic state pension/Minimum Income Guarantee). Private additions are made cheaper if the state offers tax relief.

A rather different case is where those using the private sector have to do so *instead* of using the flat rate state provision, while still paying their taxes in full. Because this is expensive, only where there is a large difference between the value people put on the state service and what they would otherwise have purchased will they opt to go private. School level education is an example. Tax rebates may make a marginal difference to the numbers opting to go private in this case.

Finally, the state service may be available only on a means-tested basis. Those above the income threshold buy what they would have done in the absence of state provision (and for some this might mean they buy less than the state actually provides). Those below the cut-off generally use the state. Long term care for the elderly operates in this way.

On the basis of this analysis, we concluded that in determining the quality and quantity of a tax-financed service to be provided, and any restrictions on eligibility, the relationship with private top-ups and alternatives needs to be carefully considered. In particular, different arrangements will generate different public attitudes towards continuing state provision: residualised services are unlikely to command the support of the majority, while arrangements in which privately-purchased services are an optional extra may help to maintain a consensus on the importance of publicly-funded services.

(b) Welfare to work

One of the Labour's key approaches to tackling social exclusion is to increase employment rates of disadvantaged groups. This approach sees the poorest as individuals who are most distant from the labour market and employment as a major escape route out of poverty. Of course, the prevalence of low paid jobs and the high rates of churning at the lower end of the labour market mean there are no guarantees with this approach and a job may not be enough to lift an individual (family) out of poverty. Several members of CASE have undertaken research in this area, assessing the effectiveness of these policies in evaluation studies, reviewing alternative approaches adopted outside the UK, and giving assessments of the overall strategy.

The British New Deal programmes are broadly designed to move benefit claimants off benefit and into work and have attracted much attention. These programmes mix advice, training and work experience to varying degrees depending on their target group. The New Deal programmes mark an important turning point from previous active labour market programmes by increasing the quality of provision and by including benefit claimants

receiving other social security benefits besides unemployment benefits. However, higher quality and better resourced programmes are still mainly focused on the core unemployed claimants – especially young people aged under 25 – for whom participation is compulsory. Other New Deals, for lone parents claiming Income Support, for long term sick and disabled benefit claimants and for the over 50s and for partners of unemployed claimants have been mainly based on employment advice and have developed some compulsory elements.

Abigail McKnight contributed to the evaluation of the New Deal for Lone Parents¹⁰⁹ (NDLP) prototype programme. The NDLP was the first component of Labour's Welfare-to-Work programme to be tried out in practice. Policy attention turned to lone parents' worklessness for a number of reasons. The last 25 years has seen an increase in the percentage of families with children headed by a lone parent but, while the proportion of married mothers in employment increased, the proportion of lone parents in employment decreased. Consequently the proportion of lone parents receiving Income Support rose. Alongside these changes, the proportion of children living in poverty increased from one-in-ten to around one-in-three over a similar period. One way to tackle these problems is to improve the work incentives of lone parents (through, for example, the Working Families Tax Credit), improve the quality and availability of childcare (National Childcare Strategy) and provide specific work-focused advice and assistance to lone parents (NDLP).

The NDLP prototype programme ran between July 1997 and October 1998 (the introduction of the national programme). It was a voluntary programme designed to reach out to lone parents on Income Support and provide them with assistance to find work through the services of a personal advisor. McKnight's role in the evaluation of NDLP prototype programme was to estimate the impact of NDLP on claims for Income Support. This was achieved through the construction of a large dataset containing the records of all claims for Income Support in the specific areas in which the prototype programme was in operation (over 42,000 lone parents in the target group were claiming Income Support at the start of the pilot). Using statistical techniques to separate out the different influences on transitions off Income Support and exploiting an aspect of the experimental design of the programme, she estimated that by the end of the prototype programme NDLP resulted in a reduction in the stock of lone parents in the target group claiming Income Support by 3.3 per cent. This represents an increase in exits from Income Support of 10 per cent; a figure that compares very favourably with similar, albeit compulsory, programmes in other countries. Abigail McKnight and Martin Evans have just been commissioned by the Employment Service to conduct an expert review of the findings from the complete national evaluation of the NDLP. Findings from this review will be published in 2002.

Martin Evans¹¹⁰ undertook an international comparison of how welfare to work programmes were designed and implemented in America, The Netherlands, France and Germany funded by the Nuffield Foundation. Lessons for British policy were several. Had Britain got its priorities right? Dutch and American programmes place higher priorities on the hardest to

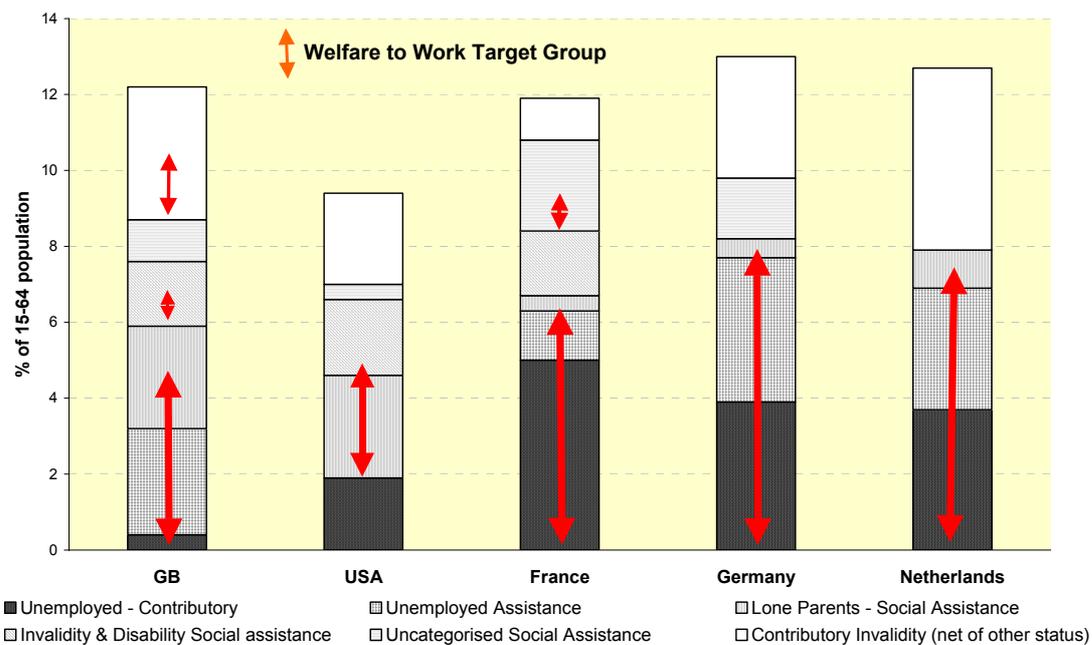
¹⁰⁹ C. Hasluck, A. McKnight and P. Elias (2001) *Evaluation of the New Deal for Lone Parents: Cost-benefits and Econometric Analysis*, DSS Research Report 110, Corporate Document Services.

¹¹⁰ M. Evans (2001) *Welfare to work and the organisation of opportunity: Lessons from abroad*, CASereport 15; M. Evans (forthcoming a) 'The British New Deals', *International Journal of Social Welfare*; M. Evans et al. (2001) 'Towards Single Gateways? A cross-national review of the changing role of employment offices in seven countries', *Zeitschrift fuer Internationales und auslaendisches Sozialrecht*, 1, 43-63; M. Evans (2001) 'Welfare to Work and the Organisation of Opportunity: European and American Approaches from a British perspective', in J. Clasen (eds.) *What Future for Social Security? Debates and Reforms in National and Cross-National Perspective*, Kluwer Law International.

serve whereas in Britain the most generous help was given to young unemployed people. British policy had extended its target group to include lone parents and claimants of sickness and disability benefits but these groups were often already in the core of US and European programmes – either defined as unemployed or otherwise. Figure 9.2 shows consistently defined national definitions of welfare to work target groups and shows how different ‘welfare’ is. It supports the research finding that it is difficult and sometimes dangerous to learn lessons from abroad without understanding their proper organisational context.

Other research findings raised important questions for the future of British policy. Was Britain over focussed on the single transition from welfare into employment at a given point of time when it could become more dynamic in outlook and consider progression in work as well? The British approach also compared poorly with US and European programmes in providing public employment opportunities. Such work provides investment in public goods and is needed to correct the current under-funding of public transport, affordable childcare, public open spaces and other areas that represent not only lack of capital investment but a move away from jobs.

Figure 9.2: Claimant reservoirs and welfare to work target groups, 1997



Active labour market programmes are not only delivered through large-scale national service providers but are frequently found in smaller scale community-based projects. CASE User Fellow Helen Evans had considerable first hand experience with one such project (Bootstrap, founded in 1977) and during her time at CASE undertook an in-depth small-scale evaluation of the experiences of a group of people who had been users of the enterprise.¹¹¹ Her findings suggested that community-based training and employment projects, such as Bootstrap have filled an important gap in the provision of services for disadvantaged people. The flexibility and personalised service which they offer is an important key to their success in the past and their role in future welfare to work provision.

¹¹¹ H. Evans (2000) *Sprouting Seeds: Outcomes from a community-based employment programme*, CASEREport 7. London: LSE.

Welfare to work policy in Britain has also focused on improving in-work benefits to improve incentives to work and to support the incomes of low waged families. More generous Working Families Tax Credit replaced Family Credit (FC) and a similar tax credit will be extended to some low paid workers without children in 2003.

Abigail McKnight, working with a team of researchers from a number of institutions, contributed to the evaluation of the Earnings Top-up (ETU) pilot¹¹². ETU, designed along the lines of Family Credit, was made available to single people and couples without children who were in low paid jobs and living in low-income households. The pilot ran for three years in a range of different labour markets located in eight areas around Britain. Statistical analysis of unemployment flows, using a specially commissioned dataset containing nearly two million individual records of unemployment benefit, revealed that the ETU pilot was associated with falls in inflows into unemployment for unskilled benefit claimants in the younger and older age groups. Unskilled unemployment benefit claimants also benefited in terms of an increase in outflows relative to inflows. However, some of these benefits may have been at the expense of the low skilled group, couples and those aged 35-44. ETU appeared to have had greater impact among women than men and individuals living in rural areas where low pay is prevalent.

Jane Waldfogel and colleagues prepared a case study of US welfare reform for an international survey of lone parents and employment.¹¹³ The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 represents a dramatic change in the US welfare state. One of its key goals was to move lone mothers, even those with young children, from welfare to work. Early evidence suggested that, in concert with a strong economy, progress has been made – welfare caseloads have fallen dramatically and the employment rates of lone mothers have increased substantially.

In addition to the federal reforms, state level welfare reforms played an important role prior to 1996 and are playing an even more important role subsequent to 1996 as PRWORA gives states unprecedented flexibility in designing and implementing their welfare systems. We examined some key state-level reforms, using evidence from selected states, to illustrate the three major types of policies used in the US to move lone mothers from welfare to work: mandating work (Michigan); making work pay (Michigan and Minnesota); and helping families with child care (Illinois). We concluded that each of these policies has a role to play in moving lone mothers from welfare to work, but that further policies are needed if the US is to also do a better job of reducing child poverty.

Reviewing the evidence on income dynamics, ‘welfare to work’ and other interventions, John Hills¹¹⁴ suggested that the distinction which is sometimes made between ‘active’ and ‘passive’ welfare interventions is too simplistic. He suggested making a distinction *both* between measures intended to change the risk of an event happening and its effects if it does, *and* between those concerned with the way policy affects those entering an undesirable state and those exiting from it.

¹¹² A. McKnight (2001) *Earnings Top-up Evaluation: effects on unemployed people. Part two: econometric analysis*, Department of Social Security Research Report No. 131, Leeds: Corporate Document Services.

¹¹³ J. Waldfogel, S. K. Danziger, S. Danziger and K. Seefeldt (forthcoming) ‘Welfare reform and lone mothers’ employment in the US’, in J. Millar and K. Rowlingson (eds.) *Lone Parents, Employment and Social Policy*, Policy Press.

¹¹⁴ J. Hills (forthcoming) ‘Does a focus on “social exclusion” change the policy response?’ in J. Hills *et al.* (eds.) *Understanding Social Exclusion*, OUP.

Figure 9.3 summarises this, suggesting that we can differentiate between four kinds of policy:

- **Prevention** of an event or reduction of the risk of entering an undesirable state – for instance, education or training to improve job retention.
- **Promotion** of exit or escape – for instance, ‘welfare to work’ policies.
- **Protection** from the impact of an event, for instance paying benefits to those who become unemployed.
- **Propulsion** away from adverse circumstances by reinforcing the benefits of exit – for instance, the effects of the in-work benefits on the incomes of those leaving unemployment or policies to ensure that the next career move is upwards.

Figure 9.3: Four forms of intervention

Intervention to change:	
Focus of intervention:	Risk of event Effects of event
Entry to adverse state	Prevention Protection
Exit from adverse state	Promotion Propulsion

The first two of these are what are often described as ‘active’ parts of the welfare state, affecting the *risks* of adverse or favourable events (something which may be missed by static analysis). The third and fourth are more about what is sometimes seen as ‘passive’ redistribution, changing the *consequences* of such events. The earlier analysis of the impact of tax and social security changes on child poverty suggests that the fourth, ‘propulsion’, may be more important than often realised. A test of policy may be whether it is acting across all four domains.

(c) Economic Evaluation in Social Welfare

Economic evaluation is important in all areas of social welfare, yet little of it goes on outside health care and related fields. The aim of a two-year project carried out by Tom Sefton¹¹⁵ and colleagues, funded by the Joseph Rowntree Foundation, is to promote better understanding and use of economic evaluation across the social welfare field. This research project consists of: a selective review of the literature on evaluation; a review of published economic evaluations in different areas of social welfare; four case study evaluations in the areas of community development, youth homelessness, foster care, and fuel poverty; a series of one-day workshops; and the development of an electronic network of researchers and practitioners with an interest in the field. A report of the programme is in draft and will be completed by the end of 2001.

His initial research identified the key issues faced by those attempting to evaluate social welfare programmes, many of which were confronted within the case studies. These interventions are typically heterogeneous, flexible and developmental, and their outcomes are often hard to define

¹¹⁵ T. Sefton (2000) *Getting Less for More: Economic Evaluation in the Social Welfare Field*, CASEpaper 44. London: LSE.

and even harder to measure. In addition, resources for evaluation are often limited and research traditions are not always favourable towards economists. The experimental or modelling approaches favoured by economists and used extensively in the health care field are much harder to apply under these more complex circumstances and may need to be modified or used alongside other approaches, such as qualitative analysis. In some cases, rigorous economic evaluation may not be achievable or may not be appropriate, at least in the short-run. Economists can also learn from alternative perspectives on evaluation, which seek to address a much broader set of evaluation questions, including a greater emphasis on understanding how, why and for whom programmes work.

(d) Education

The subject of education is never far away from any discussion of social exclusion. Jo Sparkes reviewed the literature on the links between education and social exclusion¹¹⁶ and provided a summary of the state of knowledge on this issue. She highlighted the evidence which identifies a prevailing association between low levels of educational attainment and social exclusion. Studies which have assessed the role of education in shaping life chances conclude that test scores and broader measures of educational attainment are some of the best predictors of adult outcomes. Of course it is important not to overstate the importance of education as low levels of attainment are generally associated more generally with social disadvantage (which also affect adult outcomes). However, schools have an important role to play in ensuring that children achieve their full potential irrespective of their family circumstances. Schooling is probably the most powerful and socially acceptable way in which governments can intervene to redress the inequality of opportunity generated by family income inequality. While the evidence on school quality is at best mixed and often inconclusive, research suggests that higher per pupil spending, smaller class sizes and teacher quality in schools have the greatest impact on disadvantaged pupils.

In more recent work^{117,118} Jo Sparkes and Howard Glennerster reported on progress made in the 1990s by schools in the national attainment tests. We pointed out that although there remains a wide gulf between the lowest performing and highest performing schools, there has been a considerable narrowing of the gap at Key Stages 1, 2 and 3 in every subject except Science. While schools clearly have an important role to play, we cautioned against widespread indiscriminate use of school-level performance statistics which ‘control’ for differences in individuals’ socio-economic characteristics and thereby build in expectations and acceptability of educational inequalities.

Many of the studies examining the link between education and social exclusion concentrate on poor schools, underachievement, school exclusion, truancy and basic skills. They focus on poor early performance and its association with poor outcomes later in life. While it is important to ensure that all children have the opportunity and necessary support to achieve through the years of compulsory schooling it is also crucially important that the incentives and opportunities are in place for progression into further and higher education. The motivation to achieve at lower levels of qualification is often influenced by the value placed on these qualifications in terms of the entry requirements needed to progress higher within

¹¹⁶ J. Sparkes (1999) *Schools, Education and Social Exclusion*, CASEpaper 31. London: LSE.

¹¹⁷ J. Sparkes and H. Glennerster (forthcoming) ‘Preventing social exclusion: Education’s contribution’ in J. Hills, J. Le Grand and D. Piachaud (eds.) *Understanding Social Exclusion*, OUP.

¹¹⁸ H. Glennerster (2001) ‘United Kingdom Education 1997-2000’, paper given at British Association of the Advancement of Science’, Glasgow 4 September 2001 and forthcoming CASEpaper.

the education system. Successive governments have stressed the importance of higher education, as a Degree still provides the best chance of finding a good job, avoiding unemployment and enjoying a high standard of living.

The rapid expansion of higher education, characterised by an increase in participation rates from around 5 per cent of 18/19 year olds in the early 1960s to over one-third today, has meant that students are now drawn from a range of backgrounds. The issue of access to higher education for students from disadvantaged backgrounds has received much attention. Changes in the funding of higher education which has seen a shift away from general taxation towards individual students and their families have drastically increased the direct up-front costs of a university degree. Student maintenance grants were gradually replaced by loans from the early 1990s and since 1998 students have been required to make a contribution to their tuition costs. Further costs have been mooted such as the introduction of additional differential fees to be associated with subjects (and possibly institutions) which command the greatest remuneration in the labour market. Research conducted in CASE by Abigail McKnight¹¹⁹ with colleagues at the University of Warwick suggested that this could lead to even greater inequalities in education with only the most advantaged students having access to the best degree courses.

Although various measures have been put in place to assist students from disadvantaged backgrounds there is still a growing concern that changes in funding have deterred such students from entering higher education. The research shows that investment in higher education for students from disadvantaged backgrounds is riskier than for more advantaged students. This higher risk is manifested in higher rates of non-completion, greater probabilities of failure or poor degree performance. These graduates (everything else being equal) typically experience greater difficulty in entering the graduate labour market, in terms of higher unemployment, and are more likely to find employment in non-graduate occupations and receive lower earnings. All in all, the evidence suggests that students from disadvantaged backgrounds may need additional help if widening access to higher education and increasing participation rates to 50 per cent remain key policy objectives.

The increase in information on the performance of education institutions through the publication of league tables has been driven by calls for greater accountability and to provide better information for consumer choice. Measures of academic performance in schools are now published on a regular basis although there remains considerable concern about the choice of indicators and the lack of any measure of 'value added'. The introduction of Performance Indicators in the higher education sector is more recent with the first wave of indicators being published in December 1999. This year saw the publication of the first set of indicators designed to assess the performance of higher education institutions in terms of graduates' employability. Abigail McKnight¹²⁰ was involved in a study which assessed the sensitivity of performance measures applied to the higher education sector, in particular identifying which contextual variables should be taken into account when trying to isolate the performance of higher education institutions. For example, in a separate study it was shown that graduates who previously attended an independent school receive an addition premium in

¹¹⁹ R. Naylor, J. Smith and A. McKnight (forthcoming) *Sheer Class: The extent and sources of variation in the UK graduate earnings premium*, CASEpaper.

¹²⁰ J. Smith, A. McKnight and R. Naylor (2000) 'Graduate employability: policy and performance in higher education in the UK', *Economic Journal*, 110 (464): 382-411.

the labour market¹²¹ which cannot be accounted for in terms of academic achievement and should not be ascribed to the university they attend. The fear is that once performance measures are established universities will act strategically to maximise their outcome measures and this could lead to, for example, favouring applications from children at independent schools and more generally from children from more advantaged backgrounds.

Schools in Disadvantaged Areas

Alongside the general work on the 12 Areas Study (see 6(b) above) Ruth Lupton is conducting PhD research into how operating in a very deprived area impacts on the organisation and processes of secondary schools. It is well known that the attainment of children at schools in such areas is below average, and suspected (although there is little hard evidence) that part of the difference is explained by the fact that these are actually worse schools. A recent analysis by OFSTED ('Improving city schools') demonstrated that schools with very high proportions of disadvantaged pupils do tend to be rated less well by inspectors than are others. This study aims to explore further whether there is a link between area poverty and quality of schooling, and then to explain how location in a disadvantaged area can exert a downward pressure on school quality, and what the counter measures might be.

For schools placed in special measures ('failing schools') up to 1999/2000, matching data supplied by OFSTED to ward-level deprivation data she showed that, of 180 schools, less than 10 per cent serve relatively advantaged areas. One-third were in electoral wards in the top three decile groups on the Index of Multiple Deprivation. A link between school failure and area disadvantage was clear.

The remainder of the study focuses on four local authority areas from the 12 Areas Study and detailed case studies of four secondary schools in disadvantaged areas within them. At LEA level, school inspection judgements (supplied by OFSTED) will be correlated with area characteristics, to establish the links between quality and deprivation. Initial research was on the nature of the link between schools and their areas, and the factors influencing the strength or weakness of these links; the market for school places in the area, admissions policy, the school's ethos and approach to competition and so on. Pupil postcode data has been analysed and mapped against deprivation data, tenure and ethnicity, identifying changes in intake over time. Interviews have been conducted with headteachers and LEA representatives. This showed that the influence of school markets on policy and on intake is extremely variable. Some schools were much more affected than others, and some spent a lot more time positioning themselves in the market than others. In one school, a significant increase in levels of attainment at entry has been achieved by proactive marketing in primary schools in better-off parts of the area. Two other schools were entirely surrounded by areas of extreme deprivation, and have made no such efforts. These differences are not illuminated by large-scale studies on the influence of school markets.

The final part of the work, in the second half of 2001, will involve in-depth fieldwork in each school, exploring how area deprivation has an impact – on the way teachers spend their time, on recruitment, retention and morale, on relationships with parents or on management arrangements and the ability of the organisation to change.

¹²¹ R. Naylor, J. Smith and A. McKnight (forthcoming) 'Why is there a graduate earnings premium for students from Independent schools?', *Bulletin of Economic Research*.

(e) Pensions

Reform of pension provision is a major part of the Labour Government's attempt to create 'a new contract for welfare'. Research in CASE has looked at the effect of proposed reforms for the UK and, more generally, at the role of the state in retirement income provision and in preventing social exclusion in later life.

The proposals in the government's Green Paper 'Partnership in Pensions' were evaluated in detail in two CASEpapers.¹²² In the first, Katherine Rake, Jane Falkingham and Martin Evans looked at the effect of the government's proposals on pensioner incomes in the future. Using a range of hypothetical low-income individuals, they show how the proposed State Second Pension (S2P) creates a 'tightrope' of reducing income during retirement and a 'tripwire' of low entitlement due to periods of non-employment. They conclude that the proposed scheme will fail to prevent widespread reliance on means-tested benefits among older people and that a more generous scheme with broader coverage will be needed to meet the government's objectives.

A number of members of CASE contributed pieces to a second CASEpaper. Nick Barr¹²³ looked at the macroeconomics of the government's proposals, questioning their focus on achieving a higher level of private pension provision as a means for overcoming the effects of demographic change. Later work with Phil Agulnik¹²⁴ returned to this theme, making the case for managing demographic change through variations in public debt rather than through shifting towards private funded pensions. Jane Falkingham and Katherine Rake¹²⁵ discussed the effect of the Green Paper proposals on women. Their analysis demonstrated how gaps in entitlement for S2P would disproportionately affect women's security in retirement, exacerbating existing inequalities. Phil Agulnik looked at two aspects of the Green Paper. In one piece¹²⁶ he analysed the overall distributional effect of the move from SERPS to S2P, showing how the new scheme redistributes from high to low earners. He estimates that, taking into account increases in contributions as well as improvements in benefits, the reform will result in overall losses for people earning more than around £12,000 a year. A second piece¹²⁷ discussed the tax regime for Stakeholder pensions proposed in the Green Paper, which he criticised for further complicating the choice between different saving vehicles.

Reform of the tax relief system was also looked at in earlier work by Phil Agulnik and Julian Le Grand.¹²⁸ They analysed the effects of the current tax relief system, showing that half the benefit of relief on pension contributions goes to people earning over £25,000 a year. They

¹²² K. Rake, J. Falkingham, and M. Evans (1999) *Tightropes and Tripwires: New Labour's proposals and means-testing in old age*, CASEpaper 23; P. Agulnik, N. Barr, J. Falkingham and K. Rake (1999) *Partnership in Pensions? Responses to the Pensions Green Paper*, CASEpaper 24; CASE: LSE. An amended version of CASEpaper 23 was published in journal form: J. Falkingham, K. Rake and M. Evans (2000) 'British pension policy in the 21st Century: A partnership in pensions or a marriage to the means test?', *Social Policy and Administration*, 34, 3:296-317.

¹²³ N. Barr (1999) 'A Public-Private Partnership in Pensions: Getting the Balance Right', in CASEpaper 24 *op. cit.*

¹²⁴ P. Agulnik and N. Barr (2000) 'The public/private mix in UK pension policy', *World Economics*, 1, 1:69-80.

¹²⁵ J. Falkingham and K. Rake (1999) 'Partnership in Pensions: Delivering a secure retirement for women?', in CASEpaper 24 *op. cit.*

¹²⁶ P. Agulnik (1999) 'The proposed State Second Pension and National Insurance', in CASEpaper 24 *op. cit.* An amended version was published in journal form: P. Agulnik (1999a) 'The proposed State Second Pension', *Fiscal Studies*, 20, 4: 409-421.

¹²⁷ P. Agulnik (1999b) 'Pension fund tax relief and the Green Paper', in CASEpaper 24 *op. cit.*

¹²⁸ P. Agulnik and J. Le Grand (1998a) 'Tax relief and partnership pensions', *Fiscal Studies*, 19(4).

went on to propose an alternative system based on matching grants, arguing that, as well as the advantage of greater transparency, such a partnership scheme would improve the distributional incidence of 'fiscal welfare'. The government's recent proposal to promote self-provision through Savings Gateway accounts bears similarities to this proposal. In a separate piece for an IPPR sponsored project on learning accounts¹²⁹, Phil Agulnik looked at the case for using pension tax reliefs to support investment in education.

An alternative to encouraging people to save through tax reliefs or matching grants is to force people to provide for their retirement. The relative merits of these two approaches – partnership and compulsion – were explored by Phil Agulnik and Julian Le Grand¹³⁰. Phil Agulnik also looked at the broader case for compulsory earnings-related pensions¹³¹. He concludes that, though earnings-related social insurance schemes may prove durable in countries with a long tradition of such provision, it is difficult to find an economic rationale for continuing to provide benefits that favour the better-off. He goes on to suggest that, rather than the current emphasis on replacing earnings-related social insurance with compulsory saving, pension reform should focus more on the appropriate shape for mandated benefits.

Finally, Phil Agulnik was also involved in a NIESR project which developed 'generational accounts' for the UK.¹³² He and his fellow authors showed how Labour's pension reforms would redistribute from unborn to current generations, as well as from the lifetime rich to the lifetime poor.

(f) Welfare systems in East Asian countries

"Light" welfare states have been put forward by some as one source of East Asian economic dynamism. In his research supported by LSE as Toyota Research Officer, Didier Jacobs examined the strengths of several East Asian social welfare systems and the challenges they face after the financial crisis of the late 1990s.¹³³ He examined the position in five countries – Japan, Korea, Taiwan, Hong Kong, and Singapore – analysing the overall costs and structure of welfare provision, and income distribution. As well as a programme-by-programme review of their welfare states he examined the role of private welfare, using the three dimensions of provision, finance and control discussed in section 9(a) above. In these countries, the roles of both enterprises and families were found to be important. From this work he drew a number of conclusions.

The five countries varied greatly in the size of their welfare states in relation to national income, suggesting that it is a mistake to lump them too closely together. Singapore and Hong Kong were found to have very low levels of public spending on social welfare, while

¹²⁹ P. Agulnik (2000) 'Individual accounts and post-compulsory education', in T. Milns (eds.) *Paying for Learning*, London: IPPR.

¹³⁰ P. Agulnik and J. Le Grand (1998b) 'Partnership pensions versus compulsory pensions', *New Economy*, 5, 3:147-132.

¹³¹ P. Agulnik (2000) 'Maintaining incomes after work: do compulsory earnings-related pensions make sense?', *Oxford Review of Economic Policy*, Spring.

¹³² P. Agulnik, R. Cardarelli, and J. Sefton (2000) 'The Pensions Green Paper: a generational accounting perspective', *Economic Journal*, November.

¹³³ D. Jacobs (1998), *Social Welfare Systems in East Asia: A comparative analysis including private welfare*, CASEpaper 10. London: LSE; D. Jacobs (2000) 'Low public expenditures on social welfare: Do East Asian countries have a secret?', *International Journal of Social Welfare*, 9(1).

that in Japan approached 15 per cent of GDP. Korea and Taiwan occupied intermediate positions. The differences were accounted for by several factors:

- Private finance: Hong Kong and Singapore were found to rely heavily on privately financed social security instruments (provident funds and labour laws).
- Generosity: Some schemes had very low income replacement rates, such as Hong Kong and Taiwan's old age pensions. Korean and Taiwanese health insurance schemes also involved high user fees. Japanese benefits are in certain respects less generous than those of many European countries.
- Demography: Young populations imply low needs in the retirement and health care sectors. While the proportion of the elderly was shown to be already as high in Japan as in many Western countries (and was still growing faster), it is lower in the other four countries.
- Coverage: Some occupational groups representing large numbers of people were not covered by any insurance for some social risks, especially in Korea, but less so in Japan.
- Maturity: Spending on retirement pensions reflects past contributions, which are typically low for recently introduced schemes (for instance, in Korea).
- Marginal sectors: 91 per cent of Japan's total welfare spending is devoted to the three main sectors of education, health care and retirement pensions, compared to only 63 per cent in the UK. In other words, spending on sectors such as unemployment and child benefits, housing and personal social services are relatively low in Japan, as well as in the other East Asian countries.

Jacobs suggests that it is not true that welfare benefits voluntarily paid by enterprises compensate for the relatively low public spending in Japan, because voluntary non-wage labour costs are about as high in many Western countries. However, Japanese (and to a lesser extent, Korean) enterprises do play a major welfare role by retaining workers who are not necessarily profitable, thanks to a wide variety of pro-active and reactive redeployment measures. Workers accept this flexibility in exchange for employment security. Three-generation families play a similar role in all five countries by pooling income between workers and economically inactive people. Moreover, the relatively low financial commitment of the state in personal social services rests on the assumption that women remain the major providers of personal care for children and the elderly at home.

However, these forms of enterprise and family welfare are being challenged. Japan has been in a long economic recession. In Korea the financial crisis raised unemployment levels. As to personal care, Japan is confronted by the vicious circle of three intertwined trends: family nuclearisation, rising female employment, and falling fertility. The first two may imply a reduced willingness of women to care for their parents and children without more support, while the latter accelerates the ageing of the population and need for care. These crises of family and enterprise welfare are likely to lead to increased public spending and income inequality.

Didier Jacobs's more detailed analysis of the determinants of income inequality in East Asia also sheds light on one of the issues examined in the UK context in section 2(a) above, the relationship between unemployment and income distribution.¹³⁴ He uses micro-data on

¹³⁴ D. Jacobs (1998) *Low Inequality with Low Redistribution? An analysis of income distribution in Japan, South Korea and Taiwan compared to Britain*, CASEpaper 33. London: LSE.

household incomes in the four countries to produce decompositions of inequality measures by population groups and income sources (except for Japan where equivalent analysis was produced by our research partners there). He find that income inequality in these Asian countries is about average among industrialised countries (and therefore lower than in the Britain). The factors influencing income inequality are different from those in the Britain. In Britain, public transfers act to equalise incomes across households. In the East Asian countries, it is the distribution of work across households that acts to equalise incomes. Compared to Britain, there are very few workless households in Japan, South Korea and Taiwan. On the other hand, public transfers are still very underdeveloped in Korea and Taiwan, while the Japanese social security system does not generate a lot of vertical redistribution. Income transfers (and so pooling of risk) takes place *within* the family between people with and without work. This source of income redistribution is now threatened by rising unemployment (in Taiwan and South Korea) and decreased income pooling with the family (in Japan).

In related work, CASE visitor Huck-ju Kwon looked in more detail at the impact of income transfers to the elderly in Korea and Taiwan, again using micro-data from national household surveys.¹³⁵ The aim was to establish the extent to which government income maintenance policy contributes to the incomes of elderly households in these countries. We also examined private transfers to the households in order to see the outcomes of public policies within the broader welfare mix. The welfare mix for the elderly in the two countries shows substantial similarities. For instance, half of elderly people live with their grown-up children, while the public pension systems being established in Korea and under consideration in Taiwan have similar structures. There are, however, differences between the two countries, and, as with the research described above, the analysis does not support the notion of a unique “East Asian welfare model”.

The analysis showed that private transfers play a larger role than public ones. In particular, poorer households are more dependent on private transfers. However, these transfers fail to help the elderly escape poverty. Elderly households in general, and single- and couple-only households in particular, are far more prone to poverty than the population as a whole. Although state pensions are expected to play a greater role in future once in full operation, public policy has so far failed to improve the living standards of the elderly. The research suggests the need for urgent policy intervention to protect the elderly in the wake of the economic crisis in Korea and the recent massive earthquake in Taiwan.

¹³⁵ H-J. Kwon (2001) ‘Income transfers to the elderly in Korea and Taiwan’, *Journal of Social Policy*, 30(1), 81-94.

10. AREA-BASED POLICIES

(a) Using administrative data to track the impact of general public spending and trends in area deprivation

CASE members have a long history of studying the spending and impact of social spending at the national level but the last five years has seen the development of spending and outcome profiling at the small area level. Put next to what we know about small area deprivation, this research undertaken by Martin Evans with colleagues at Herriot Watt university and elsewhere has studied what is spent by government in the most deprived neighbourhoods, the nature and type of spending (on benefits, health, education etc) and the outcomes.

The Department of Transport, Local Government and the Regions (then called the DETR) commissioned the first research as a pilot study to establish how feasible it was to identify and measure public spending at small area level.

The research¹³⁶ showed that in the three chosen areas - The London Borough of Brent, City of Liverpool and City of Nottingham – spending overall was 45 per cent higher in deprived areas than in non-deprived. But not all spending was equally skewed to deprived areas. The most highly skewed programmes were means-tested benefits, spending on children and housing, while social services, benefits for the disabled and primary schools and special education services were still skewed but less so. Health and secondary education were equally distributed across all small areas (electoral wards) while higher education, roads, rail subsidies and pension programmes spent more in less deprived areas. Population structure explained many trends as children and the elderly were over-represented in deprived and non-deprived areas respectively.

The resulting research report was hailed across Government as a significant contribution to knowledge on urban policy and regeneration and the Secretary of State for Education picked out the research as an example of applied research by universities that is helpful to government. After being presented to Ministers with overall responsibility for social exclusion, a follow up research project was commissioned to study the outcomes of local spending profiles.

This second study¹³⁷ took education and training programmes as its main theme and work in CASE looked at outcomes for Work-Based Training for Young People (WBTYP), Youth Training, Modern Apprenticeships and National Traineeship schemes; and the New Deal for Young People – a programme for unemployed under 25 year olds. Participation rates in WBTYP differed markedly between the three areas – Brent had less than 8 per cent of its 16-24 year olds in such schemes, Nottingham 11 per cent and Liverpool 34 per cent. These differences echoed differential staying on rates and unemployment profiles of the three areas. At the ward level, deprivation only appeared to correlate with poor outcomes from the Youth Training scheme in Brent, the area with the highest overall success rate for qualifications (35

¹³⁶ G. Bramley, M. Evans, J. Atkins *et al.*, (1998) *Where Does Public Spending Go? Pilot study to analyse the flows of public expenditure into local areas*, DETR; G. Bramley and M. Evans (2000a) 'Getting the smaller picture', *Fiscal Studies*, 21, 2: 231-267; G. Bramley and M. Evans (2000b) 'Urban deprivation and government expenditure: Where does spending go', in J. Bradshaw and R. Sainsbury (eds.) *Researching Poverty*, Ashgate.

¹³⁷ G. Bramley and M. Evans (2000) 'Public expenditure targeting outputs and outcomes: Follow-up to 'Financial Flows' pilot study', Draft report to DETR.

per cent). The other two cities had flat rates of success across wards that reflected very low success rates in Liverpool – 10 per cent versus 31 per cent for Nottingham. The effect of ward-level influences on individual success were modelled on all participants and no significant effect was found for deprivation, benefit dependency rates or other ward level factors taking into account individual level differences in age, gender, ethnicity, education and city-wide effects. The only explanatory power was found in the population structure – living in a ward with high proportions of 16-24 year olds reduced the probability of gaining a qualification.

Turning to the New Deal for Young People, participation rates were highest in the Cities with highest unemployment and were positively linked to ward deprivation. Were the outcomes worse for those living in the most deprived wards? The effect of ward-level influences on getting a job were modelled on all participants and no significant effect was found for deprivation, benefit dependency rates or other ward level factors, taking into account individual level differences in age, gender, ethnicity and length of unemployment and city-wide effects.

But while the analysis of these two programmes did not find evidence of significantly worse outcomes for individuals because of their local ward's characteristics it confirmed that poorest wards had those most in need of assistance and thus these programmes were able to largely benefit all participants according to their individual characteristics. The research also threw up an interesting difference in outcomes relating to ethnicity. Black and Afro-Caribbean young people had better outcomes than their white peers in Youth Training but worse under the New Deal. The different discriminatory practices of employers in the wider labour market to those involved in WBTYP probably explained this effect.

These two research projects had demonstrated the power of using national administrative data to study small areas - and particularly data on social security benefits. Martin Evans used this experience and together with colleagues from Oxford University was commissioned by the Social Exclusion Unit to profile what had happened to ward-level social exclusion in England between 1995 and 1998.¹³⁸ The analysis used the proportion of adults who claimed social assistance as a measure of deprivation and showed that during the strong economic growth of the period, 97 per cent of electoral wards – even the poorest wards with the highest unemployment levels in the region of slowest growth – had benefited from economic growth. However, while unemployment was coming down, there was a countervailing rise in people claiming due to long-term sickness and disability in all regions except London. Conversely, the number of lone parents claiming social assistance fell in all regions except London. The proportionate rates of decline were slowest in the wards with highest claim rates in 1995, but the good news was that these wards had the highest numbers of claimants leaving social assistance and hence the highest absolute reductions in deprivation (Table 10.1).

¹³⁸ M. Noble, M. Evans, C. Dibden and G. Smith (2001) *Changing Fortunes: Geographic Patterns of income deprivation in the late 1990s*, DTLG/Social Exclusion Unit.

Table 10.1: Ward rates of claim for IS/JSA-IB 1995-1998 England by frozen 1995 decile groups.

	1995	1998	% point change	% claimant growth/decline
Top	26.3%	22.4%	-3.9%	-14.9%
2 nd	17.4%	14.8%	-2.6%	-15.0%
3 rd	13.6%	11.4%	-2.2%	-15.4%
4 th	11.2%	9.1%	-2.1%	-17.1%
5 th	9.4%	7.6%	-1.8%	-17.4%
6 th	8.0%	6.4%	-1.6%	-18.0%
7 th	6.9%	5.5%	-1.4%	-19.1%
8 th	6.0%	4.6%	-1.4%	-20.2%
9 th	5.0%	3.8%	-1.2%	-21.8%
Bottom	3.7%	2.7%	-1.0%	-23.8%

Source: Noble, Evans, Dibden and Smith (2001).

These two themes of research continue with new research commissioned by the DTLGR on spending and outcome profiling, while the Joseph Rowntree Foundation have commissioned a longer term study of ward-level changes in deprivation from 1995-2000 focusing on families with children and older working age people.

(b) Specific area-based policies

One of the most striking features of the policy agenda in the UK in the last few years has been the proliferation of policies with a specific area focus. One of our User Fellows, Gillian Smith from the Department of the Environment, Transport and the Regions examined the position for us in 1999.¹³⁹ She analysed nine separate area-based initiatives, ranging from high profile ones such as Health Action Zones and the New Deal for Communities to ‘Better government for older people’. Looking at the 110 most deprived local authorities, she found that all but five had at least one of these initiatives. Most of the 20 most deprived authorities had several; Newham and Nottingham each had eight of the nine.

We are studying the impact of several of these initiatives as they unfold in our 12 Areas Study and views of them from residents in our Neighbourhood Study (see Section 6 above). But we have also been involved in a series of studies, some with a more practical outcome, on related topics, also with an area focus. Those discussed below are: neighbourhood management; consultation for the Social Exclusion Unit on its strategy for neighbourhood renewal; local housing companies; evaluation of a training and small grants programme for community groups; local regeneration projects based on cycling; and homelessness.

Neighbourhood management

CASE members were involved in several parts of the research and evidence used by the Social Exclusion Unit in developing its national strategy for neighbourhood renewal.¹⁴⁰ One of these was the idea of ‘neighbourhood management’. We surveyed existing models of intensive management in difficult areas and reported on the lessons to be learnt.¹⁴¹ The findings suggested that:

¹³⁹ G. R. Smith (1999) *Area Based Initiatives: The rationale and options for targeting*, CASEpaper 25.

¹⁴⁰ SEU (1998) *Bringing Britain Together: A national strategy for neighbourhood renewal*, SEU (2000a) *National Strategy for Neighbourhood Renewal: A framework for consultation*.

¹⁴¹ A. Power and E. Bergin (1999) *Neighbourhood Management*, CASEpaper 31. London: LSE.

- While the study focused on difficult urban areas in need of intensive management, the idea could be applied anywhere if funds were available – it is relevant to rural as well as urban areas.
- It is based on the core idea of “someone in charge” at neighbourhood level.
- There are few long-term viable models, particularly with sufficient local autonomy to “manage decisions”.
- Most viable experiments are housing-led because:
 - the size, number and difficulty of large estates push local authorities to act;
 - the housing revenue account provides a management budget;
 - there is recognition of a management deficit in large public structures.
- Neighbourhood issues – security, environmental care, community development, local employment, training, health – are important and need managing.
- Warden schemes are relevant because they offer the lowest effective level of input, linked to housing or police and they do help.
- Success can be measured in: improved conditions; reduced problems; less damage and crime; better community relations; some savings. It needs:
 - a clear staff structure with a manager in charge locally;
 - an identified budget and decision making powers locally;
 - the backing of higher authority – local authority or board - also community supports;
 - a clearly defined local remit.
 - permanent mainstream funding;
 - a focus on basics conditions;
 - other services, particularly the police, education and health;

Views of the strategy for neighbourhood renewal

In March 1998, the Social Exclusion Unit asked CASE to bring together front-line practitioners, civil servants, policy makers and community representatives to look at examples of successes and to discuss ways forward.¹⁴² After its draft strategy was published drawing in part on this kind of evidence, the SEU again asked CASE to bring these kinds of actors together.¹⁴³ We organised two ‘Think Tank’ events – one primarily for active residents, the other aimed at front-line workers – both at Trafford Hall, near Chester, the National Tenant Resource Centre. We invited people who we knew were doing positive and practical work to tackle problems in difficult areas and who would therefore have useful experience to contribute to an action plan based on the National Strategy. Many more people wanted to come and have their say than we could accommodate. We selected around 40 participants from a mix of areas, from different services and types of project, aiming to mix ethnicity, age and gender.

What did participants tell us? Overall, the feedback strongly supported the general thrust and specific ideas of the Strategy. There seemed to be a consensus on what the priority problems were and what needed to be done, and this tallied with the Strategy. The Think Tanks highlighted a great deal of energy and confidence generated by residents and workers who were actively tackling practical problems. There were many inspiring positive examples. However, there were still some serious worries over underlying structural problems, such as the economic backdrop, which affect the potential of the Strategy proposals to make an

¹⁴² E. Richardson (1999) *Tackling Difficult Estates*, CASEREport 4. London: LSE.

¹⁴³ J. Hills and E. Richardson (2000) *Views of the National Strategy for Neighbourhood Renewal*, CASEREport 11. London: LSE.

impact on conditions. Many continued to be wary of the Government's intentions and commitment, especially to 'genuine' community involvement. Their past experiences of area renewal made them wary of actual delivery. There was an underlying concern with the difficulties of shifting existing power balances in favour of communities. There were many detailed suggestions for how to interpret and apply the broad proposals already made. Most of the concerns were about implementation. How sensitively and honestly will the proposals be applied in real-life situations? And how much say will ordinary people have? There was a strong neighbourhood focus in both events. The clear message was that action should be taken at the level at which problems affected people, as close to the ground as possible.

Housing management and regeneration initiatives

Anthony Lee, Anne Power and Becky Tunstall made an in-depth case study of one of the first housing stock transfers by an urban local authority, LB Brent.¹⁴⁴ The process was followed from development to transfer through interviews and observation over two years. This showed that it is possible to bring investment to run down urban council housing, to secure its long-term future, and to benefit all partners, even in very difficult circumstances. However, it suggested that the process of urban stock transfers is likely to be very long, intense, complex, convoluted and conflict-prone. It is a huge task for housing departments, housing associations and other partners, with complex legal and financial issues, and very large number of consultation meetings.

The value of multi-organisational and cross-sectoral partnerships has become a central theme in British urban regeneration and housing policy over the last ten years. However, urban stock transfer development requires partnership as never before, an unprecedented model for the long-term future of urban social housing. A board will run the companies, with tenant members, leaseholders, council nominees, housing association nominees, and independent members. The quantitative composition of the board is significant, but the qualitative aspects – the close understanding and strong working relationships built up during the development process – will be as important to the way the companies operate in practice.

Becky Tunstall, Anne Power, Liz Richardson and David Divine carried out wider research for the London Housing Federation on the transfer of the ownership and management of local authority housing to other organisations, principally housing associations, now known as Registered Social Landlords (RSLs). This resulted in a good practice guide for RSLs.¹⁴⁵ Transfer represents a very important development in the housing system. About one third of all local authorities in England have transferred the ownership of all or part of their housing stocks to RSLs, and most of the remaining two thirds are considering this shift.

The research examined twelve case studies, focusing on those where ownership had transferred, and on London. It involved a total of 91 in-depth interviews with local authorities, RSLs, residents, and other organisations covering the transfer of undertakings and its impact on housing management. It found that the transfer process was novel and complex, and fraught with uncertainties and tensions. Under the pressure to get the transfer to happen, "management does tend to go by the wayside" and "management gets sidelined", as senior RSL officers reported.

¹⁴⁴ A. Lee, A. Power and R. Tunstall (1999) *Local Housing Companies: A New Kind of Partnership*, LSE/Housing Corporation.

¹⁴⁵ A. Power, R. Tunstall, E. Richardson, and D. Divine (for London Housing Federation) (1999) *Great Expectations: Managing Local Authority Estates after Transfer*, London Housing Federation.

However, the estates transferred were often among the most deprived, run-down and challenging to manage in the local authorities, and in most cases they were more difficult to manage than any of the RSLs' existing properties. RSLs were presented with new tasks and large volumes of work. Problem areas included staff transfers, leaseholders, and Housing Benefit delays. Good practice advice included changing cultures, managing relationships and expectations, and building partnerships to tackle concentrated deprivation. RSLs also need to think about the impact transfer can have on the organisation as a whole.

In 2000 Becky Tunstall completed her PhD thesis on 'The potential of participation in social policy and administration: The case of TMOs in English council housing'. Using a postal survey and sixteen in-depth case studies, she examined the growth and impact of TMO (tenant management organisation) structures which incorporate service user majorities and take over designated responsibilities for housing management for blocks or estates. It found a TMO boom in the early 1990s, which could be attributed to favourable factors at national policy level interacting with the particular circumstances of individual estates. TMOs appeared to have generally positive effects on housing management, with some impact on community spirit, crime and vandalism and local authority policy, although there were significant variations between TMOs.

More generally, she surveyed the impact of three social housing estate regeneration initiatives between 1985 and 2000 on social exclusion.¹⁴⁶ The initiatives were Estate Action, a £1bn funding scheme run by central government which was mainly used to fund improvements to homes; local authority housing management projects; and tenant participation through tenant management organisations. She found that most central government urban regeneration projects have not directly aimed at estate regeneration, and that most estate regeneration initiatives have not aimed explicitly to tackle exclusion from the labour market, and have had little effect on it. Evaluation using the narrower measures of 'poverty' or 'deprivation' would draw solely pessimistic conclusions. Using the concept of social exclusion, all the estate regeneration initiatives examined have had more significant effects, although as yet unquantifiable ones, on political and psychological exclusion. In addition, understanding of 'estate processes' suggests that reduced political and psychological exclusion may have some knock-on effects on exclusion from the labour market. The experience of Estate Action showed that some physical problems are not amenable to cheap solutions or alterations short of demolition, and that some capital funding could have been better spent or more knock-on benefits garnered. However, overall the programme had a positive and very significant impact on the estates that received funding.

Stimulating community self-help

Liz Richardson from CASE has been implementing, monitoring and evaluating (with Tom Sefton) the Trafford Hall 'Gatsby Project' on behalf of the Gatsby Charitable Foundation¹⁴⁷. Evaluation of the project has also been one of the case studies being carried out for the Joseph Rowntree Foundation as part of our research on economic evaluation of social welfare initiatives.

¹⁴⁶ R. Tunstall (2000) 'The impact of estate regeneration' in I. Anderson and D. Sim (eds.) *Social Exclusion and Housing*, Chartered Institute of Housing.

¹⁴⁷ L. Richardson and K. Mumford (forthcoming) 'Community, neighbourhood and social infrastructure' in J. Hills, J. Le Grand, and D. Piachaud (eds.) *Understanding Social Exclusion*, OUP.

The Gatsby Project is a seven-year programme to stimulate community self-help across the UK, mostly on deprived estates. It has been running since 1996. It offers training and small follow-up grants to self-help community groups through Trafford Hall, home of the National Tenants Resource Centre. It aims to transform residents' attitude from 'something must be done' to 'we can do this'.

Between 1996 and 2000, 1700 community volunteers from around 700 groups across Great Britain attended these training courses. The project awarded 90 grants towards a wide range of projects, including community cafes, after-school clubs, and advice centres. The distinctive aspects of the programme are the strong emphasis on training, the link between training and the grants scheme, and the continuing support provided to grant recipients.

Our action research so far has focused on the following:

- Who attends the programmes?
- What feedback was from participants on the quality of the training?
- What the training outcomes have been in the short and medium term?
- What grant-funded projects have been developed from the training?
- What wider lessons the programme teaches us about capacity building for community groups, and community training?

We will produce a report in more detail on the outcome and operation of the grant funded projects in October 2001. Headline findings from the training evaluation work include: *the quality of training has been extremely high*. For example, 88 per cent of participants were satisfied with the courses, and only 3 per cent of participants felt that they had not benefited from attending the training. 'Hands-on' *learning techniques were* the most effective training tools. Participants liked active, 'doing' sessions and a practical approach with real life examples of solutions to live problems. Participants identified *5 key benefits* of the courses, which were: learning; the creation of a ripple effect with learning cascading back to others in the neighbourhoods. 81% had fed back information to others; 77% gained increased motivation and confidence in their local work; the training gave people new ideas for projects they could implement. 73% benefited from new project ideas; and 42% of participants developed new networks with other community activists who attended training courses.

The ultimate aim of the courses is to stimulate *action outcomes*. We found that 60 per cent of groups took follow up action, for which one in three applied for small grants from the Gatsby fund. The grant projects were very varied e.g. community newsletters, parenting classes, community gardens, community cafes, community houses, youth clubs, after school clubs. The grants were for equipment, immediate running costs, training, wages, volunteer expenses. Most of the groups were small, unincorporated community and residents' associations with four or five committed people taking the lead in organising multiple activities. The grant-funded projects are showing themselves to be sustainable in the medium term. Out of 82 projects we have information for, 76 are still in existence.

Community development interventions like the Trafford Hall Gatsby Project do not create the first impulses for community self help. The starting point of the Project is to tap into residents' desires to do something to change their neighbourhoods for the better. It offers three simple things to help translate those desires into action on the ground – an idea and a plan; a helping hand along the way; cash. Motivated and able people are the key element in

community self help. Participants say the training helps motivate them and increase their capacity. Therefore the value of training cannot be underestimated.

People make a big commitment to attend residential training courses, and all want to learn new things. The training is partly a reward, a treat, and fun. But participants also want answers to pressing area problems. Therefore the training has to offer expert advice on a range of do-able solutions and live examples of what can be done. Participant feedback helped shape the training.

Residents place a high premium on education. The idea of education for already educated people and professional people is well accepted. It helps them accomplish more. Programmes like those at Trafford Hall give people stranded in some of the most disadvantaged areas in the country the same privileges. It too helps them do more. Ultimately the credit for groups' success goes to the groups themselves, their resourcefulness and resilience.

Regeneration through cycling?

A second piece of action research has been the work carried out by Jake Elster on behalf of the Ashden Trust and Esmee Fairbairn Charitable Trust. The crux of this research was to look at the way in which local action is achieving joined-up impacts on both socio-economic conditions and the environment, and how it can contribute to sustainable development. We were also interested in looking at existing action, and how further action can be stimulated and supported. The first part of this work looked at local cycling projects and their links to social inclusion, and its results were published by CASE in 2000¹⁴⁸.

Cycling is an environmentally friendly form of transport and an increase in cycling would contribute to sustainable transport in the UK. At the same time cycling can provide a cheap and accessible form of transport, and local cycling projects can achieve a wide variety of other important social inclusion outcomes, such as crime diversion and training.

We gathered background data nationally, through written questionnaires from around 70 existing cycling projects, and took a lead in establishing four pilot cycling projects in low-income areas in two London boroughs, Hackney and Lewisham. We also developed and ran a national support programme to help community groups set up cycling projects, providing basic support, including general and specific information, contacts and specific advice, to 26 groups, and intensive support to eight youth groups from low-income areas. At the end of a successful pilot year we handed this programme over to an existing organisation which continues to run and develop it.

The key points to come out of this work were:

- Local cycling projects can achieve a wide range of outcomes related to social inclusion, such as providing new services and facilities, crime diversion, youth engagement, employment and training. This is as well as the more obvious contribution to increased cycling through, for example, skills training, promotion, making equipment available, introducing new people to cycling.

¹⁴⁸ J. Elster (2000) *Cycling and Social Exclusion*, CASereport 8.

- There is a significant level of interest in cycling projects at the local level, and more widely, for example from youth groups and services, local authorities voluntary groups, and national policy makers. At the same time, there is a poor level of support, or even promotion, for this type of activity.
- Non-cycling related aims, such as crime diversion and youth engagement, are an important part of the motivation for groups interested in and running cycling projects. Nearly twice as many groups from the national questionnaire survey had non-cycling related aims as had directly cycling related aims.
- Small-scale cycling projects represent a way of engaging a much wider audience, from communities to policy makers, with cycling than reached by the conventional, and still prevalent, approach of promoting cycling as transport.
- Providing support can help with the establishment and development of local cycling projects. We developed three approaches to providing support that cover a range of needs that communities encounter when developing local cycling projects:
 - taking a lead in setting up project;
 - providing basic support to others setting up projects;
 - providing more intensive support to others setting up project.
- A significant expansion of cycling project activity in the UK has the potential to contribute to several Government and non-government agendas, such as sustainable transport, community self-help action, the Social Exclusion Unit's work on neighbourhood renewal, and sustainable development.

The joined up socio-economic and environmental impacts of local cycling projects show one way in which local action can contribute to sustainable development. We are now starting a second phase of this work to look at how a wide range of different local community action projects can address socio-economic needs and environmental concerns together, and how this can be supported and stimulated more widely.

Homelessness: Social Exclusion and Inclusion

Megan Ravenhill has been looking in detail at one of the most extreme manifestations of social exclusion, homelessness, both as part of her PhD research and as research commissioned by organisations coping with homelessness.¹⁴⁹ This research aimed to look at the process of social exclusion and inclusion at two levels, the process of becoming homeless and exclusion from main-stream society, the impact of the homeless culture, inclusion into that culture and the process of exclusion from that culture, as people try to move from homelessness and feel included in main-stream society:

- What triggers (as opposed to causes) homelessness – what is the process over time?
- What can be done to delay or prevent homelessness – what policies or measures can be put into place to act as buffers to prevent people sliding into it?
- What, if any, is the attraction of the homeless culture – why are some people locked into homelessness and find it difficult or impossible to move on?

¹⁴⁹ M. Ravenhill (2000a) *Homelessness and Vulnerable Young People: A social audit of Key Change Charity's supported accommodation*, CASEpaper 37; M. Ravenhill (2000b) *Routes into Homelessness: A study by CASE of the paths into homelessness of homeless clients of LB Camden's Homeless Persons Unit*, LB Camden.

- How do people leave homelessness – including the process over time, what are the main exit routes?
- What can be done to promote inclusion back into mainstream society – what hurdles or obstacles do they have to overcome?

The research included 50 life story interviews with men and women at a variety of stages along the process into and out of homelessness but who have slept rough at some stage in the past. To complement this a number of observations and participant observations (including one six month observation at a drop in centre) were undertaken, to examine the homeless culture. Interviews and observations were carried out in a variety of settings and geographical locations to try and capture the spectrum of problems. From the research so far a number of factors have proved very interesting and are being explored further:

- The time scale between the triggers of homelessness beginning and individuals sleeping rough appears to be far longer than previously anticipated (7-9 years), suggesting ample time for the right interventions strategically placed to be effective.
- The time scale between trying to live in ‘housed’ society and achieving a stable tenancy and life style is also far greater than previously understood (3-5 years rather than 3-18 months).
- The age of the first experience of homelessness is an indicator of future episodes and the length of time spent homeless.

It is hoped that this research will generate policy recommendations for ‘buffers’ to prevent people sliding into homelessness or repeat episodes of homelessness, and ‘pillars’ that offer support and strengthen the transition back into mainstream or ‘housed’ society and again prevent people sliding back into homelessness.