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

Poverty and inequality

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

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

Recent UK government policies have begun to tackle both the symptoms and causes of poverty. These policies include benefit increases, ‘welfare to work’2 and ‘making work pay’3 measures, increasing staying-on rates in education, and combating childhood disadvantage – although sometimes the emphasis on ‘what works’, and on the problems faced by discrete groups, can divert attention from systematic structural inequalities and discrimination. The government has committed itself to tackling child and pensioner poverty in particular, and estimates that its policies since 1997 have resulted in over a million fewer children living in poverty than there would otherwise have been. Independent analysis corroborates this. But only 28 out of 50 key indicators showed an improvement over recent years (though none worsened).

Public expenditure and taxation

The government maintained the previous administration’s expenditure plans for two years after it came into office in 1997, but more recently started increasing public spending significantly, especially on health and education. However, Labour also committed itself to no increases in the basic/higher rate of income tax again before being re-elected in 2001. Critics say this has tied its hands – and perhaps unnecessarily, since the public is now more suspicious of increases in ‘stealth taxes’ (often via indirect tax) than in income tax. A second term has brought some challenges to the government’s policy positions – especially its support for a ‘mixed economy of welfare’, resulting in more control by private service providers and more private funding for public services. In addition, commentators say the government should challenge more directly the combination of private affluence and deteriorating public infrastructure in the UK compared with the rest of the European Union (EU).

Budgets since 1997 have helped the poorest groups most. But a recent analysis concluded that taxes represented 37.1% of gross household income overall, but were 35.7% for the richest tenth and 47.7% for the poorest tenth. A Commission argued for higher and more progressive taxation, to fund higher public spending, on citizenship grounds; but it also said taxpayers would need to be convinced the money was well used, and wanted more say in this. A
report by a government unit argued that increases in income and inheritance taxes would be needed even to create a genuine meritocracy.\(^{17}\)

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

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

**Governance and participation**

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

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

**Gender**

Men’s gross weekly income is still more than twice that of women.\(^{26}\) The shift to a service economy has increased part-time/casual jobs, many of which are taken by women, often in households that already have one earner. The government emphasises the division between ‘dual earner’ and ‘no earner’ households. But such jobs, whilst increasing women’s employment, often do not give them economic independence; and men often spurn them, without a viable alternative. Both genders are struggling to come to terms with these developments, and with family change.

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

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

**Race/ethnicity**

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

**Conclusion**

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

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18 The government is consulting on aims to reduce the social class gap in infant mortality, and the differences between areas with the lowest life expectancy and the national average, by at least 10% by 2010 in England (Department of Health press release, 28 February 2001); if accepted, similar targets will be pursued by the devolved administrations.
20 See, for example, the European Anti-Poverty Network (www.eapn.org).
22 See, for example, Social Justice: A Scotland where everyone matters, Scottish Executive, 2000.
31 The Race Relations (Amendment) Act 2000.
34 See, for example, The Times, 10 December 2001.

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