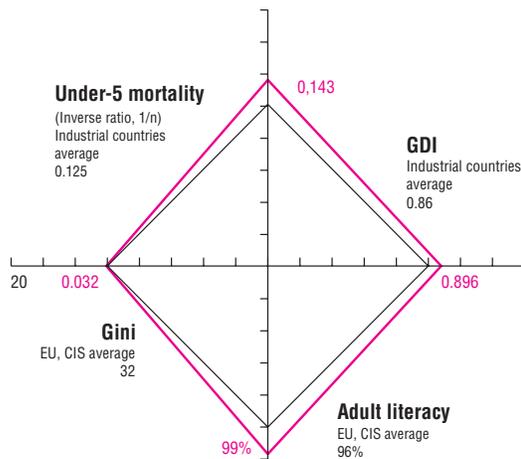


•FRAN BENNETT



The Equity Diamond: National values in terracotta compared to regional ones in blue.

## ECONOMIC JUSTICE, SOCIAL JUSTICE

However, the government has adopted the previous administration's restrictive public spending limits for the first two years.

It has promised not to increase the basic or top rates of income tax in its first term. It is committed to incorporating the European Convention on Human Rights into British law; but it is less clear about legislation guaranteeing social and economic rights, and it stresses responsibilities in return for rights. It seems to see social security spending as a badge of economic failure, rather than investment and social protection, and often describes its strategies as combating «welfare dependency» rather than poverty.

The government has said it will not draw up a national plan to eradicate poverty. But it plans to set up a high-level «social exclusion unit» within government, to coordinate action on poverty and social exclusion.

**Some civil society organisations have doubts about the emphasis on extending opportunities rather than redistribution, and see the government's approach to poverty and inequality as a crucial test of its claims on social justice.**

## INCOME DISTRIBUTION

There is no official definition of poverty in the UK. There is a growing debate about social exclusion in addition to poverty; but when measuring poverty, many commentators use the definition of 50% of average disposable income, adjusted for household/family size. The latest government data on the distribution of incomes are for 1994–95 (financial years 1994/5 and 1995/6 combined).<sup>2</sup> In 1994/5, 13.4 million people, or 23%

*The new Labour government, elected in May, has adopted a positive approach to issues of poverty and social justice. The Prime Minister wrote to the UK Poverty Coalition stating that «the Government's aim is to reduce poverty and tackle unjustifiable social and economic inequalities».<sup>1</sup> The government takes a cross-departmental approach to issues, and favours opening up decision-making through broader consultation.*

<sup>1</sup> Letter from Prime Minister to UK Poverty Coalition, 3 July 1997.

<sup>2</sup> Department of Social Security, *Households Below Average Income – A Statistical Analysis 1979 to 1994/95*, HMSO, October 1997. (The ethnic breakdown is taken from the previous edition of HBAI, for 1979 to 1993/94).

of the population (excluding people in institutions and the homeless) lived on incomes below 50% of the average after housing costs, compared with some 5 million people (9%) in 1979. In 1994/95 white people made up 94% of the population, but only 88% of the bottom quintile compared with 97% of the top quintile were white, and ethnic minority groups were over-represented in the bottom quintile.

In 1990, income inequality reached the highest level recorded since the war, with the UK displaying faster increasing inequality than any other industrialised country except New Zealand.<sup>3</sup> The income of the richest tenth of the population is equal to that of the entire bottom half of the population ranked according to income.<sup>4</sup> Inequality seems to have peaked in the early 1990s, although it is too early to tell definitively, and it is still at unacceptably high levels. Between 1979 and 1994/95, the poorest decile (including the self-employed) saw a fall in real income of 8%, compared with a 68% increase for the richest decile, and an average increase of 40%.<sup>5</sup> (Expenditure inequality also increased, though not as steeply.)

Inequality grew for various reasons. More people became dependent on benefits such as income support, partly because of higher unemployment but also for demographic reasons. The income gap widened between people on benefits and those with earnings. Differences in income from work grew rapidly, with an increased premium on education and a collapse in demand for unskilled male manual labour. But inequality increased within as well as between population groups.<sup>6</sup> The geographical concentration of poverty increased.

**A new longitudinal annual panel survey shows that many people are touched by poverty, but that those in poverty are not by and large a static, unchanging group. There is some income mobility; but those with the lowest incomes do not usually progress far up the income scale.<sup>7</sup> And longer-term**

**research shows patterns of affluence and poverty tending to persist over several generations.<sup>8</sup>**

#### WORK, SALARIES AND CREDIT

The highest risk of poverty in terms of economic status is for households with an unemployed head. The slight decrease in inequality in the early 1990s was probably due to the fall in unemployment. In October 1997, official unemployment (seasonally adjusted) stood at 5.2% of the workforce – 1,124,300 men and 340,000 women.<sup>9</sup> But commentators now emphasise worklessness (including lone parents caring for children, and jobless sick and disabled people), instead of unemployment alone. And –leaving aside changes in the unemployment measure– the fall in unemployment is not accepted uncritically.

First, many jobs go to people with a wage-earner in the family, leaving one in five households without anyone in paid employment.<sup>10</sup> Secondly, the low wages and insecure working conditions in the jobs available to the unemployed are also criticised.<sup>11</sup> **Compared to the 1960s, it is much less likely that a job is an escape route from household poverty, even for principal breadwinners.<sup>12</sup> The churches have argued that unless there is a clear commitment to redistribution there will be no real change.<sup>13</sup>**

**The official unemployment count is not differentiated by ethnic group. But in winter 1995/96, unemployment rates for black people were over twice those for white people.<sup>14</sup>**

**A recent analysis defines some 4.6 million (22%) of employees as low paid in 1994/95; two-thirds (3.2 million) were women – almost one in three female employees. Some 13% of low-paid employees lived in household poverty, compared to 3–4% in the late 1960s. (An alternative measure defines 48% of employees as low paid).<sup>15</sup> In 1994, the average hour-**

<sup>3</sup> Joseph Rowntree Foundation *Inquiry into Income and Wealth, Volume I*, Joseph Rowntree Foundation, 1995.

<sup>4</sup> A. Goodman, P. Johnson and S. Webb, *Inequality in the UK*, Oxford University Press, 1997.

<sup>5</sup> See note 2. Income is measured after housing costs. The self-employed are included in these figures.

<sup>6</sup> See note 3.

<sup>7</sup> C. Oppenheim, «The growth of poverty and inequality» in A. Walker and C. Walker (eds.), *Britain Divided: the growth of social exclusion in the 1980s and 1990s*, CPAG Ltd., 1997. These data were taken from *Households Below Average Income* (see note 2).

<sup>8</sup> P. Johnson and H. Reed, *Two Nations? The Inheritance of Poverty and Affluence*; L. Dearden, S. Machin and H. Reed, *Intergenerational Mobility in Britain*, Institute for Fiscal Studies, 1996.

<sup>9</sup> *Labour Market Statistics to June October 1997*, Office for National Statistics, 12 November 1997.

<sup>10</sup> P. Gregg and J. Wadsworth, «More work in fewer households», in J. Hills (ed.), *New Inequalities: the changing distribution of income and wealth*, Cambridge University Press, 1996.

<sup>11</sup> P. Gregg and J. Wadsworth, «The Importance of Making Work Pay», *Economic Report Vol. 10, no. 3*, Employment Policy Institute, 1996.

<sup>12</sup> S. Webb, M. Kemp and J. Millar, *The Changing Face of Low Pay in Britain*, University of Bath, 1996.

<sup>13</sup> *Unemployment and the Future of Work*, Council of Churches of Britain and Ireland, CCBI Publications, 1997.

<sup>14</sup> D. Shire, *Half Truths Half Measures: Hidden Statistics on Black Unemployment*, Black Employment Institute, 1997.

<sup>15</sup> The definition resulting in 22% of employees being low paid is based on two-thirds of median hourly earnings of all employees; the alternative definition, resulting in 48% of employees counted as low paid, is based on only full-time employees earnings.

ly pay for full-time minority ethnic employees was 92% that of white people.<sup>16</sup>

**Financial institutions like banks, building societies and life insurance companies offer people on low incomes less choice, worse value for money and lower returns on savings. Some 1 in 5 households are effectively excluded from all mainstream financial institutions.<sup>17</sup> Over 20% of adults have no current bank account, so are excluded from the best deals, involving payment by cheque or direct debit, which often give discounts. Many banks and building societies have closed branches in poorer and rural areas, leaving some people with no access to saving facilities. Only 0.25% of the population use credit unions, run by communities and workplaces to provide savings and low-cost loans.<sup>18</sup>**

**Low-income households often fall into debt with basic household bills, which carries the harshest sanctions – repossession, disconnection, fines, even imprisonment.<sup>19</sup> Or they may borrow from «loan sharks», incurring excessive interest rates and sometimes having to provide benefit books as security.<sup>20</sup>**

#### «ADJUSTMENT POLICIES»

Governments since 1979 tried to reduce the share of GDP taken by public expenditure and taxation, believing that public spending «crowded out» private investment, and that lower taxation enhanced personal choice and enterprise. In practice, the composition of public spending changed more than its GDP percentage, as benefit spending rose –due to increasing numbers of unemployed and disabled workers, elderly people and lone parent families– whilst other areas were cut. So the 1992 government adopted a strategy to reduce social security spending, arguing that cuts would ensure the system's long-term viability.

Simultaneously, recent governments reduced employment rights, weakened trades unions, abolished minimum wage legislation (Wages Councils) and encouraged competition through contracting-out and privatisation. Initially, these policies were justified as righting the balance between producers and consumers, and encouraging growth by freeing enterprise. More

recently, greater emphasis was placed on reducing labour costs, and more labour market flexibility and earnings differentiation, to reduce unemployment.

The Prime Minister has said he should be judged on whether the living standards of the poorest improve over his first term.<sup>21</sup> The government emphasises the root causes of poverty, and extending opportunities. Work is seen as the best form of welfare for people of working age. A New Deal will be offered to young unemployed people (18 to 24), with one of four options, and benefit sanctions for refusals. Employers will be subsidised to take on long-term unemployed people. Lone parents with school-aged children will be invited to discuss job prospects, with more funding for child care. Long-term sick and disabled people will also get more help with job-seeking. These policies will be financed largely from a windfall tax on excess profits of the privatised utilities. The voluntary sector<sup>22</sup> is asked to be «partners» by creating employment opportunities.

The government is committed to introducing a statutory minimum wage (supported by means-tested in-work benefits), and has set up a Low Pay Commission to consider its structure and rate. It will sign the European Union's Social Charter, but has stated its commitment to flexible labour markets and indicated it will resist new legal measures.

## SOCIAL EQUITY

A major debate is about how to «square the circle» of rising public expectations and increased unwillingness to fund services via taxation; whilst this analysis is contested, it currently defines the political limits to policy options.

## EDUCATION

Social disadvantage and educational attainment seem closely connected, and educational opportunities and results have become more unequal in social terms in the 1980s and 1990s.<sup>23</sup> The «market» in schools, because of more emphasis on paren-

<sup>16</sup> F. Sly, «Ethnic groups and the labour market», *Employment Gazette*, June 1995, Department of Employment, 1995.

<sup>17</sup> E. Kempson, *Outside the Banking System: a review of households without a current account*, HMSO, 1994; A. Leyshon and N. Thrift, «The restructuring of UK financial services industry in the 1990s: a reversal of fortune?», in *Journal of Rural Studies*, Vol. 9, no. 3, 1995.

<sup>18</sup> *Savings and investment for low-income consumers*, National Consumer Council, 1997

<sup>19</sup> E. Kempson, *Life on a Low Income*, York Publishing Services Ltd. for Joseph Rowntree Foundation, 1996.

<sup>20</sup> J. Ford, *Consuming Credit: debt and poverty in the UK*, CPAG Ltd., 1991

<sup>21</sup> *Independent on Sunday*, 26 July 1996.

<sup>22</sup> Non-governmental organisations.

<sup>23</sup> G. Smith, T. Smith and G. Wright, «Poverty and schooling: choice, diversity or division?», in A. Walker and C. Walker (eds.); see note 7.

tal choice, has been linked to increasing exclusions, especially of black pupils.<sup>24</sup> Education is «free» in the UK; but recent research shows over half of all spending on children by parents goes on essential educational items, such as educational trips and contributions to the curriculum. Average spending varies only slightly by socio-economic circumstances, suggesting parents put high priority on educational needs.<sup>25</sup>

## HEALTH

People on low incomes have more illnesses, more disability and shorter lives than the affluent. The relative disadvantage starts from birth. Perinatal mortality rates were 8.9 per 1,000 total births (within marriage only) in occupational social class V in 1992, compared with 6.3 for social class I; infant mortality rates were 7.9 and 5 respectively. (Mortality in the social groups known as «other» was even higher).<sup>26</sup> Children in social class V are four times more likely to suffer accidental death than those in social class I. Life expectancy at birth is around seven years higher in social class I than V. There is some evidence that the recent growth in income inequality was associated with a worsening of health differentials between social groups.<sup>27</sup> **Geographical inequality in death rates is the highest ever recorded, with higher death rates in areas with greater poverty.**<sup>28</sup>

Health care is «free» in the UK – although prescription charges have been increased significantly, and access to dentists giving free care is increasingly difficult. Universal access to free health care is widely supported. But the Department of Health recognises more must be done to promote equitable access to health care, through better resource allocation and removing barriers. The previous government adopted a strategy to improve the population's health, but refused to recognise inequalities in health, referring instead to «variations». A task force on low income, food and health was barred from considering benefit levels.

## SOCIAL SECURITY

Recent policies have largely focused on «targeting» benefits more closely, by increasing means testing (e.g. reducing

contributory benefit during unemployment from 12 to 6 months) or by tightening eligibility conditions (e.g. introducing an «all-work» test for benefit during incapacity). Benefits were removed altogether for some groups, including asylum-seekers claiming asylum in-country rather than at the port of entry and those appealing against a decision. There has been a focus on fraud, which it is claimed costs several billion pounds annually. A 25% cut over three years was required in administration costs, resulting in closures of benefit offices and the telephone helpline for claimants.<sup>29</sup>

## WATER

Key issues are the increasing cost of water and sewerage (since privatisation in England and Wales in 1989), which can lead to disconnection; and the future basis of charging, which must be decided shortly. The increased cost was included in benefit upratings only belatedly, and ignores regional differences. In 1994, 9% of households were in arrears, compared with under 1% in 1989. In 1995/96, some 5,800 households were disconnected. Pre-payment meters installed in some homes make (unreported) self-disconnection possible.<sup>30</sup> Debate about the best charging method increasingly favours metering according to usage, which disadvantages large low-income families.

## HOUSING

Investment in social housing has been cut more than virtually any other area of social spending. Subsidies to «bricks and mortar» were downgraded in favour of personal subsidies via means-tested benefits, to help low-income tenants pay increased private and public rents. Concern is growing about the concentration of low-income families on benefit in certain estates.<sup>31</sup> The reduction in new council house building was exacerbated by the «right to buy» for council tenants, and by demographic changes resulting in more households. The annual total of new social housing units falls short of the estimated 60–100,000 needed.<sup>32</sup>

<sup>24</sup> *Factfile 96/97*, NCH Action for Children, 1996.

<sup>25</sup> S. Middleton, K. Ashworth and I. Braithwaite, *Small Fortunes: spending on children, childhood poverty and parental sacrifice*, Joseph Rowntree Foundation, 1997.

<sup>26</sup> C. Oppenheim and L. Harker, *Poverty the Facts*, CPAG Ltd., 1996, using official government data published in 1995.

<sup>27</sup> M. Benzeval, «Health», in A. Walker and C. Walker (eds.); see note 7.

<sup>28</sup> D. Dorling, *Death in Britain: How local mortality rates have changed: 1950s to 1990s*, Joseph Rowntree Foundation, 1997.

<sup>29</sup> See chapters 5, 6 and 8 in *Britain Divided*; see note 7.

<sup>30</sup> A. Herbert and E. Kempson, *Water Debt and Disconnection*, Policy Studies Institute, 1995.

<sup>31</sup> See note 3

<sup>32</sup> *Inside Housing*, 19 May 1995.

## THE NEW GOVERNMENT

The new government says its top priority is education, with hints that money may be redirected from social security savings. Despite the spending squeeze, additional resources were found for health and education from the contingency reserve. But the focus on «standards» from the previous government remains. A major focus is also «life-long learning», giving people second chances for education/training. But plans to finance a means-tested staying-on benefit for teenagers by abolishing universal child benefit for this age-group, and the government's acceptance of the principle of paying fees in higher education, have been controversial.

In health, the most significant initiatives are in public health. A ministerial post was created; other policy areas are recognised as significant in determining health status; and a White Paper and an independent inquiry into inequalities in health are promised. The impact of the «internal market» in the health service will be reduced.

Most benefits will probably be increased only with prices, excluding claimants from rising prosperity. Some benefit cuts planned by the previous government are being reversed, but others will be implemented. The government is examining the potential for integration of tax and benefits, which could have negative implications for gender equity.

Capital receipts from council house sales held by local authorities are being released to spend on social housing; but the move away from local authority control will continue. The previous government's measures giving lower priority to homeless people were reversed.

## GENDER EQUITY

Gender-disaggregated tables of achievements in education, training and employment, promised by the previous government after Beijing, have been published.<sup>33</sup> The previous government also initiated an official valuation of housework and

other unpaid labour.<sup>34</sup> **But there is still no consistent gender analysis of government policies.**

The focus of much current debate is on boys and men – from education (where truanting, school exclusions and «failing schools» all involve a majority of boys) to jobs (with concern about diminished opportunities for male manual workers), parenthood (the implications for families of the absence of fathers) and crime. But more emphasis on girls' education is seen as important in breaking the cycle of low expectations and poverty often leading to teenage pregnancy.

## ECONOMIC AND EMPLOYMENT ISSUES

Statistics on poverty and inequality are usually based on family/household units, and/or assume equal sharing of resources, despite research showing this assumption is inaccurate. Lone parents and older single pensioners are amongst the groups most vulnerable to poverty; women predominate in both.<sup>35</sup> Within low-income families, women are often the managers of household resources under pressure, frequently risking their own health.<sup>36</sup>

The expansion in employment appears concentrated in «women's jobs». By 2006, women are expected to compose 46% of the workforce.<sup>37</sup> This compares with spring 1996, when 44% of working-age people in employment were women. But 52% of these work in three major occupational groups, showing that segregation is still marked; and 44% of women in employment work part-time.<sup>38</sup> In 1995/96, 55% of ethnic minority women were economically active, compared with 73% of white women.<sup>39</sup>

The Equal Opportunities Commission (EOC) calculates that if the trend of the last 20 years continues, it will be 2040 before women achieve equal pay.<sup>40</sup> A new Code of Practice, which came into force recently, will be admissible as evidence in legal cases about sex discrimination and equal pay.<sup>41</sup> The minimum wage is often seen as a positive chance for further progress on equal pay.

In spring 1996, 36% of employed women had children under 16.<sup>42</sup> A key topical issue is the relationship between paid

<sup>33</sup> *Separate Tables*, Department for Education and Employment, 1997

<sup>34</sup> *The Guardian*, 6 November 1996.

<sup>35</sup> See note 2.

<sup>36</sup> E. Kempson, *Life on a Low Income*, Joseph Rowntree Foundation, 1997.

<sup>37</sup> Office for National Statistics, *Social Trends 27: 1997 Edition*, HMSO.

<sup>38</sup> *Labour Market Trends, March 1997*, Office for National Statistics, 1997.

<sup>39</sup> *Ethnic Minority Women*, Commission for Racial Equality, 1997.

<sup>40</sup> *Pay Briefing*, Equal Opportunities Commission, January 1997

<sup>41</sup> *Code of Practice on Equal Pay*, Equal Opportunities Commission; effective on 21 March 1997

<sup>42</sup> See note 38.

employment and family life. Only one childcare place exists for every 9 children under age 8, according to one report.<sup>43</sup> The new government views child care as integral to economic policy, though funding is still widely seen as insufficient.

## POLITICAL PARTICIPATION

**The number of women MPs increased significantly in May 1997, from 63 (9.7%) to 120 (18.2%).**<sup>44</sup> The members of Opportunity 2000, a voluntary government initiative to increase the number of women with responsibility in businesses, admitted recently that the percentage of women on their boards was decreasing.<sup>45</sup> The previous government had a target for women to take a third of public appointments.<sup>46</sup> Women make up half the workforce, but only a third are in trade unions.<sup>47</sup>

Prior to the election, the Women's National Commission (an umbrella organisation for groups representing 8 million women) and the EOCs in the UK sent a «national agenda for action» to all the major parties.<sup>48</sup> Nearly 7 out of 10 women say the parties pay insufficient attention to issues important to them.<sup>49</sup> There are 1.5 million more women voters than men; but six weeks before the election, one in three had still not decided how to vote.<sup>50</sup>

The new government appointed a Minister for Women (though with no salary). There is a «women's unit» within government. The Secretary of State for Social Security has overall responsibility for women's issues, and will review policy papers from a gender perspective. The Women's National Commission's role will be reexamined, to ensure government is getting a cross-section of women's views.

- UK COALITION AGAINST POVERTY

<sup>43</sup> *The Childcare Gap*, Daycare Trust, 1997

<sup>44</sup> Personal communication from House of Commons.

<sup>45</sup> *The Times*, 3 December 1996.

<sup>46</sup> *The Guardian*, 10 January 1997.

<sup>47</sup> *Women and the New Unionism*, Trades Union Congress, 1997

<sup>48</sup> *The Independent*, 19 February 1997.

<sup>49</sup> Research for Women's National Commission and Equal Opportunities Commissions, February 1997.

<sup>50</sup> *The Guardian*, 24 March 1997.