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NEW LABOUR'S ANTI-POVERTY STRATEGY

1997-2010

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Since the 1970s, the United Kingdom - in common with all other industrialised societies - has experienced massive economic changes, virtually amounting to a second industrial revolution. There has been a 'redistribution of work' away from older men to women of all ages, from heavy industry and manufacturing to white-collar and service industry jobs (many of them low-paid and insecure), from old industrial regions to new areas of growth and from full-time to part-time jobs. Accompanying these economic trends has been a set of interconnected social changes, such as increasing marital instability, which have worsened conditions for a growing minority. In short, there has been a long-run trend to widening social polarisation and income inequality since the 1970s.

While in long political opposition between 1979 and 1997, the Labour Party became increasingly critical of the perceived neglect of the whole poverty issue by successive Conservative governments, and made much political capital out of this. By the time of the 1997 general election, a number of social indicators revealed the extent of the problem: although total unemployment had fallen slowly since the early 1990s, long-term unemployment had increased; one-third of people aged between 50 and state pension age were jobless; claims to incapacity benefits had trebled since the 1970s, reaching a total of 2,500,000 claimants at any one time; the proportion of children in relative poverty had risen from 1 in 10 in 1979 to 1 in 3 in 1997; and there had been a growing polarisation between 'work-rich' households (in which two or more adults had a job) and 'work-poor' households (in which nobody had a job) - often summarised as 'more work in fewer households'. In short, by 1997 the socioeconomic landscape of the UK seemed blighted by areas and population sub-groups suffering long-term poverty and economic hopelessness.

These trends have been evident in all advanced industrial societies, though some have ameliorated their effects more effectively than have others. The policies of Conservative governments between 1979 and 1997 undoubtedly made a contribution, but the causes were long-run, deep-rooted and structural. For example, a considerable amount of job growth in all advanced industrial economies has been via low-paid, casualised, insecure and often part-time jobs: in the UK part-time jobs have increased from 831,000 in 1951 to some 7,700,000 now.

On winning the May 1997 general election, New Labour introduced a new and distinctive anti-poverty strategy. It was based upon both the targeting of individuals in poverty to encourage their participation in the labour market and an overall macro-economic strategy of achieving steady, non-inflationary economic growth by expanding labour supply and thereby exerting downward pressure on wages. Central to this activation strategy was the view that globalisation was inevitable and, indeed, positively desirable: it was judged impossible for nation-state governments to exert control over international flows of capital and jobs, and therefore the task was to enhance the supply-side characteristics of potential workers, ensuring that they were sufficiently educated, skilled and motivated to adjust to economic changes and take up new jobs.

Labour market activation was therefore justified on the grounds that it was both good for individuals - as Prime Minister Tony Blair put it, 'work is the best form of welfare - the best way of funding people's needs, and the best way of giving them a stake in society' - and good for the economy. Activation was also politically astute, in that it rationalised (and took credit for) something that was happening anyway: apart from claimants to incapacity benefits, the employment rates of most welfare groups had been slowly rising since the early 1990s, with a tightening labour market. For example, the proportion of all lone mothers in work rose from 40 per cent in 1990 to 44 per cent in 1997 and 56 per cent in 2008. This was still below the overall employment rate for married or cohabiting mothers in 2008 of 72 per cent, but when account is taken of the fact that lone mothers tend to have younger children and about one-quarter of them are caring for a disabled child, it is near the

limit of what can be achieved without damaging the quality of family life for those young children.

A further constraint on the New Labour government was that, ever since the governments of Margaret Thatcher, a 'low tax' agenda had become embedded in UK political culture and electoral expectations. Raising income tax was therefore judged by New Labour to be electorally unpopular, and an obviously redistributive approach through the tax and benefit system was ruled out. 'Redistribution by stealth' became the watchword, but the consequence has been that the burden of taxation is now regressive: when direct and indirect taxes are added together, the poorest quintile of non-retired households now pay a *higher* proportion of their gross income (39.4 per cent) than do the richest quintile (34.6 per cent).

New Labour's anti-poverty strategy was therefore based upon two approaches. First, the term 'poverty' was replaced by 'social exclusion'. The latter's origins were probably threefold: first, the 1960s concept of relative deprivation, viewing poverty as multidimensional and a state of exclusion from common social activities; second, the notion of exclusion which had been developed in French poverty discourses since the 1970s, and then taken up by the European Union; third, a politically more acceptable reworking of the discredited 'underclass' concept of the 1980s and 1990s. However, despite its sociologically complex origins, in practice social exclusion tended to be defined as exclusion from paid employment. The second part of New Labour's strategy was to introduce several activation programmes called the New Deals, covering young people aged 16-24, older people aged

50+, lone parents, disabled people and (later) even partners of the jobless. These were initially quite cautious and moderate, merely involving advice on job search, but they have been made stricter with the passage of time. Following the recommendations of the Freud and Gregg reports (2007 and 2008 respectively), more ambitious activation targets have been set and welfare reform has attached greater conditionality to receipt of benefits.

The New Deals are supplemented by a package of in-work benefits to 'make work pay' and offset the growth of low-paid jobs (such as the Working Families Tax Credit, which targets low-income families). A key issue is whether these in-work benefits are high enough in value and wide enough in coverage. For example, a Return to Work Credit is available to those who have been on incapacity benefits: it provides a £40 per week supplement to earnings less than £15,000 per annum, but only for one year - after which it ceases. Many critics argue that New Labour should have introduced a much more comprehensive and radical system of in-work benefits for the low-paid - perhaps via a citizen's income scheme - or markedly reduced their income tax liability.

The 'success' of New Labour's anti-poverty strategy has been mixed. Essentially, the combination of economic growth, a buoyant labour market, activation programmes and tax credits reduced poverty until c.2005, but since then policies have been less effective and income inequality has widened again. Contrary to governmental assurances, it has thus become increasingly difficult to 'work your way out of poverty'. Hence the proportion of children in poverty in a household where at least one adult is in work has increased from 42 per cent in 1997 to 54 per cent now. In the late 1990s, the majority of people aged 25 to

60/65 who were in poverty (2,800,000 out of 5,000,000) were in workless households, but now the position is the reverse. Before housing costs, the poorest quintile of earners took 7.7 per cent of national income in 1994/5, 7.5 per cent in 1997/8, 7.6 per cent in 2004/5 and 7.1 per cent in 2007/8. By contrast, the richest quintile of earners took 40.8 per cent of national income in 1994/5, 41.5 per cent in 1997/8, 41.8 per cent in 2004/5 and 43.1 per cent in 2007/8. Income inequality thus narrowed slightly, but has widened again.

One area which illustrates New Labour's struggle to offset structural labour market changes has been that of child poverty. Child poverty is a very serious problem for any society, since it impacts adversely on later life in so many ways - on educational achievement, labour market destinations, future health status, life expectancy, and so on. Faced with high levels of child poverty, Prime Minister Tony Blair made a bold public commitment in 1999 to end child poverty by 2020, halve it by 2010, and reduce it by one-quarter by 2004/5. However, by 2005 progress appeared to have stalled and since then it has been reversed. Using a poverty line of 60 per cent of median income (before housing costs) 3,400,000 children were in poverty in 1996/7, 2,800,000 in 2005, and 2,900,000 in 2007/8. With some embarrassment, New Labour have had to scale down the child poverty undertaking. Another vulnerable group whose poverty rate has also risen recently is retirement pensioners: 2,400,000 of them were in relative poverty in 1996/7, 2,200,000 in 2005/6, and 2,500,000 in 2007/8.

The recession which commenced in late 2008, caused by the banking crisis, has also posed great challenges. Its future prognosis is uncertain, as is the effects of the public

expenditure cuts that will have to be made later in 2010, but already unemployment has risen to c.2,500,000. The UK thus faces a very uncertain economic future, and the political confidence that underpinned New Labour's anti-poverty strategy may not return for some time.

Bibliography

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