Social Policy in A Cold Climate

The impact of economic and political changes, on poverty and inequality in the UK, between 2007 and 2014

Phase 1 (to July 2013)
• Labour’s social policy (from 1997 and through the crash)
• Changes in economic inequalities 2007-2010

Phase 2 (to January 2015)
• The Coalition’s social policy record – same approach
• Further changes in economic inequalities

In both phases:
• Pulling out everything we can at a London level
• A particular focus on spatial patterns

Also:
• Three local authority case studies on the local government cuts in London
• Some new work on trends and indicators of social mobility
Reports Already Available
Labour’s Social Policy Record

- An overall report on Labour’s Social Policy Record: Policy, Spending and Outcomes 1997-2010
- With five underlying working papers:
  - Health
  - Education
  - Under 5s
  - Cash Transfers, Poverty, Inequality and the Lifecycle
  - Neighbourhood Renewal in England

All have short summaries and data hyperlinks
Winners and Losers in the Crisis: The Changing Anatomy of Economic Inequality in the UK 2007-2010

- A report on changes in the distribution of qualifications, employment, wages, earnings, incomes and wealth
- Updates the report of the National Equality Panel
Prosperity, Poverty and Inequality in London
2000/01-2010/11

• A Report on London
• With Census data, maps of changes in poverty
• And the London breakdown of changes in economic inequalities since 2007/9
Much of this is available via a data store

- A data store [www.casedata.org.uk](http://www.casedata.org.uk)
Hard Times, New Directions?: The Impact of the Local Government Spending Cuts in London

• An interim report on three London local authorities
• Published December 2013
• More detail from Amanda later
What I’m talking about today

• Some key findings on Labour’s social policy record
• Some key findings on changes in London
• Some pointers as to what to expect next
Labour’s Social Policy Record: Policy, Spending and Outcomes 1997-2010

Ruth Lupton, with John Hills, Kitty Stewart and Polly Vizard
The UK in 1997: A low spender and a low achiever, but a favourable climate

<table>
<thead>
<tr>
<th>Rank of EU 15 (Spending) 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Social Security</td>
</tr>
<tr>
<td>Health</td>
</tr>
<tr>
<td>Family Policy</td>
</tr>
<tr>
<td>All Spending</td>
</tr>
<tr>
<td>Source: OECD</td>
</tr>
</tbody>
</table>

BUT: 65 per cent of voters in 1997 wanted higher tax and higher spend
AND: the economy grew for ten consecutive years

High Poverty, High Inequality

- Rapid Rise in Poverty and Inequality in 1980s, not reversed

% of total population in poverty
Gini coefficient
Big increase in Spending Went on Health, Education, Children, Pensioners

- Public spending up 60 per cent
- As proportion of all spending:
  - Health up
  - Education up
  - Social security down

Figure 1: Benefits and tax credits for pensioners and families with children accounted for most of the increased spending after 1996-97

- Real change in cash transfers in £bn from 1996-7
- Working families tax credit introduced
- Recession starts

Spending on pensioner benefits
Benefits & tax credits related to children
Other working age benefits
Capacity of services increased, and many more targeted services

<table>
<thead>
<tr>
<th>Health:</th>
<th>Education:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• NHS buildings programme</td>
<td>• 48,000 more teachers</td>
</tr>
<tr>
<td>• Extra doctors and nurses</td>
<td>• 133,000 more teaching assistants</td>
</tr>
<tr>
<td>• Big increase in drugs, clinical supplies</td>
<td>• Big reductions in pupil:teacher ratios</td>
</tr>
<tr>
<td>• Reduced waiting times</td>
<td>• A fifth of secondary schools refurbished, big ICT expansion</td>
</tr>
<tr>
<td>• Overall volume of health ‘inputs’ up 86 percentage points</td>
<td>• Extended schools</td>
</tr>
<tr>
<td>• Satisfaction with NHS up from 36 to 71 per cent</td>
<td>• Excellence in Cities, City Challenge</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Early Years:</th>
<th>Neighbourhood Renewal:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Free early education for all 3 and 4 year olds</td>
<td>• A new national strategy</td>
</tr>
<tr>
<td>• 3500 Sure Start children’s centres</td>
<td>• Neighbourhood management, policing</td>
</tr>
<tr>
<td>• Trebling full-day places in centre-based childcare</td>
<td>• New nurseries, play areas, schools, health centres</td>
</tr>
<tr>
<td>• A new Early Years curriculum and professional training</td>
<td>• 90 per cent of social homes to decent standard</td>
</tr>
</tbody>
</table>
On many things Labour targeted, outcomes improved

<table>
<thead>
<tr>
<th>&quot;Opportunity for All&quot; Indicators</th>
<th>Trend from 1997/8 to 2010</th>
<th>Trend since last measured (2005-7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving</td>
<td>48</td>
<td>25</td>
</tr>
<tr>
<td>Steady</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Mixed</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Deteriorating</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Not available</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>59</td>
<td>59</td>
</tr>
</tbody>
</table>

Poverty down for children and pensioners, smoothing over life cycle
What got better?

• **Health:** death rates from heart disease, stroke, cancer; infant mortality (+ gap)

• **Education:** socio-economic gap in test scores closed on all standard indicators

• **Early years:** more maternal employment, less low birthweight and infant mortality, better development at age 5 – and smaller gaps in all these

• **Poorest neighbourhoods:** less crime, litter, vandalism, more work, smaller gaps on all these
With some evidence of policy and spending effects, for example….

- Tax/benefit changes better for pensioners/families than previous system
- Research evidence shows positive impact of spending on school results and on use of early years centres
- Two-thirds of increase in lone parent employment rates due to policies
- 70,000 fewer workless people in deprived neighbourhoods than without National Strategy
- Increase in progress in some indicators (e.g., education gaps) after 2008
Although clearly not all a policy effect, and not all policies a clear success

- Many things getting better anyway (e.g. primary school achievement)
- Effects of economic growth and wider social change: e.g. urban economies, fall in smoking
- Specific policies:
  - Teaching assistants detrimental?
  - Funding existing early education places not best use of money?
  - PFI too expensive, too risky?
UK caught up, but still a mid-low spender. Before the crash, unexceptional spending

<table>
<thead>
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<th>Rank of EU 15 (Spending)</th>
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<tbody>
<tr>
<td></td>
<td>1997</td>
</tr>
<tr>
<td>Education</td>
<td>10</td>
</tr>
<tr>
<td>Social Security</td>
<td>15</td>
</tr>
<tr>
<td>Health</td>
<td>13</td>
</tr>
<tr>
<td>Family Policy</td>
<td>8</td>
</tr>
<tr>
<td>All Spending</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: OECD

**UK Current Budget Deficit as % of GDP:**
- 1996/7: 2.2 per cent
- 2007/8: 0.5 per cent
- 2009/10: 7 per cent
Myths and Realities

• Myth: Labour spent a lot and delivered nothing.
  – Reality: Labour spent a lot and delivered a lot

• Myth: Spending on public services caused the deficit crisis
  – Reality: Despite major increases in spending up to 2007/8, the public finances had slightly improved

• Myth: No impact was made on poverty and inequality
  – Reality: Child and pensioner poverty declined, poverty risks smoothed across the life cycle, many socio-economic gaps narrowing
BUT much of Labour’s ambitious vision not achieved

- Large gaps remained on all indicators
- Some outcomes hardly shifted:
  - Access to HE
  - Gaps on higher grade GCSEs including English and maths
- Some got worse:
  - Poverty for working age people without children
  - Life expectancy gaps between areas
  - Proportion of 16-18 yr-olds NEET
- Labour didn’t meet some of its own targets:
  - Child poverty not halved.
  - People still seriously disadvantaged where they live?
- Still mid table or worse in international league tables
No real shift in income inequality, and some labour market inequalities got worse

- wage inequality increased at the top
- housing got less affordable for low income households
- Some indications of rise in material deprivation from mid 2000s
What next, given much colder climate for social policy-making?

• Does this show the **limits** of social policy? Will things get worse with lower spending?

• Or:
  – does it show the **limits of state delivered social policy**? Will things get better with smaller state?
  – Given ‘catching up’ and ‘modernising’, can we now do more with less?

• What impact will the Coalition’s specific policies have on poverty and inequality?
Prosperity, Poverty and Inequality in London 2000/01 to 2010/11

• A first report on the London work
• Includes:
  – Changing spatial distribution of poverty over same period.
• Important because:
  – First crash/post crash comparison for London
  – Tracks what already happening in London before Coalition reforms
  – And documents the situation Boris inherited in 2008
• Contextualised by:
  – Wider data on London’s economic performance, housing markets etc over decade
  – Analysis of spatial patterns of poverty pre-crash as well as post-crash
London during growth (2001-2008)

• London’s economy does better than any other region
• The population of the city grows rapidly
• House prices grow rapidly, faster than earnings
• The number of social rented homes in Inner London falls, while subsidised private renting increases (esp in Outer London)
• Many new high value homes are built in inner areas
• Poverty falls only slightly (after housing costs)
• London is more unequal on all the indicators we look at in 2006-2008 than other regions
During growth, poverty rates declined in Inner London, as population increased.

<table>
<thead>
<tr>
<th>London sub-region</th>
<th>LSOA UMBRH band 2001</th>
<th>Change 2001-08 (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Households</td>
</tr>
<tr>
<td>Inner London - East</td>
<td>&lt; 25%</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>25-35%</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>35-45%</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>45-55%</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>55% or more</td>
<td>10</td>
</tr>
<tr>
<td>Inner London - West</td>
<td>&lt; 25%</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>25-35%</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>35-45%</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>45-55%</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>55% or more</td>
<td>27</td>
</tr>
<tr>
<td>Outer London - East &amp; North East</td>
<td>&lt; 25%</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>25-35%</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>35-45%</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>45-55%</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>55% or more</td>
<td>-7</td>
</tr>
</tbody>
</table>
London’s relative resilience to recession

- London the only region to see no dip in output in 2009

- **Smaller falls in full-time employment** than other urban regions

- And **smaller rises in unemployment** (less so in Outer London)

- Part time employment increases (for men)- an **under-employment rather than unemployment** story
Some disadvantaged groups less hard hit in London than elsewhere

- For youth 16-24:
  - unemployment up 1.5 percentage points in London
  - 2.9 percentage points elsewhere.
- For Black/Black British people:
  - no significant changes in London
  - elsewhere in country a fall in FT employment of 5.7 percentage points whilst unemployment increased.
- Similar pattern for social tenants
- So differentials between London and other regions close (convergence towards worse outcomes)
The worst off, in terms of earnings and incomes, did worst in the recession

- Overall 90:10 ratio in London went up more - from 7.4 to 9.4 - than in the rest of England (7.8 to 8).
- Low-earning men in London had greater decline in earnings than low-earning men elsewhere, driving an increase in earnings inequality.
- The incomes of the poorest 10% of Londoners fell more than elsewhere, and much more than the middle or top, driving an increase in income inequality.
At the same time, the wealthy of the wealthy pulled away, so wealth inequality rose.

Changes in the 90:10 Ratio (Financial, Physical and Property Wealth 2006/08 to 2008/10)

- Wealth at the 10\textsuperscript{th} percentile in London stayed flat while in England generally it rose 14.3 per cent.
- But median wealth increased 7.6 per cent in London, compared with a 1.3 per cent fall in England generally.
- At 90\textsuperscript{th} percentile, wealth increased 8 per cent in London, but only 0.4 per cent elsewhere.
- Different story if pension rights included.
Poverty continued to spread outwards

<table>
<thead>
<tr>
<th>London sub-region</th>
<th>LSOA UMBRH band 2001</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Households</td>
</tr>
<tr>
<td>Inner London - East</td>
<td>&lt; 25%</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>25-35%</td>
<td>2</td>
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<tr>
<td></td>
<td>35-45%</td>
<td>2</td>
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<tr>
<td></td>
<td>45-55%</td>
<td>1</td>
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<tr>
<td></td>
<td>55% or more</td>
<td>3</td>
</tr>
<tr>
<td>Inner London - West</td>
<td>&lt; 25%</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>25-35%</td>
<td>2</td>
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<td>35-45%</td>
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<tr>
<td></td>
<td>45-55%</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>55% or more</td>
<td>4</td>
</tr>
<tr>
<td>Outer London - East &amp; North East</td>
<td>&lt; 25%</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>25-35%</td>
<td>1</td>
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<tr>
<td></td>
<td>35-45%</td>
<td>1</td>
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<tr>
<td></td>
<td>45-55%</td>
<td>-1</td>
</tr>
<tr>
<td></td>
<td>55% or more</td>
<td>-2</td>
</tr>
<tr>
<td>Outer London - South</td>
<td>&lt; 25%</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>25-35%</td>
<td>2</td>
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<tr>
<td></td>
<td>35-45%</td>
<td>2</td>
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<tr>
<td></td>
<td>45-55%</td>
<td>0</td>
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<tr>
<td></td>
<td>55% or more</td>
<td>-1</td>
</tr>
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</table>
Change in Neighbourhood Poverty Rates 2001 to 2011

- A slight majority of “the poor” (53 per cent) by this measure live in Outer London in 2011
- Proportion of highest poverty neighbourhoods in Inner London falls from 77 per cent to 55 per cent
But some good signs: Strong and improving qualifications of Londoners

Inner London driving the improvements in qualifications
And London’s schools continue to slightly outperform others, with greater socio-economic equality

Particularly strong performance of FSM pupils in Inner London
• High incomes, high wealth, high poverty are global city characteristics. Can London do it differently?

• The changing poverty map could be a good thing, but:
  – Is it?
  – What are the implications for services in outer areas?
  – Are we on our way to a ‘donut city’ (with welfare reform accelerating the trend)?
Next Phase on London

Will be updating our analysis of spatial patterns of poverty to 2013.

And our analysis of the changing distribution of economic outcomes to 2012/13 (depends on data sets).

Reporting early 2015.
More information

• Visit the CASE website: http://sticerd.lse.ac.uk/case/

• Email us at: ruth.lupton@manchester.ac.uk