

Section II: A renewed approach

Chapter 2: The issue and context

Summary

We have much to be proud of in the progress that this country has made over the last decade. Record levels of employment, sustained growth and low inflation, year-on-year increases in educational attainment and increases in welfare for vulnerable people have all contributed towards the significant falls in poverty we have experienced.

But against this background of success, the persistent and deep-seated exclusion of a small minority has come to stand out ever more dramatically. The signs of their disadvantage appear early in life, and persist long into adulthood. This minority may be trapped in a lifetime of poverty and social harm, with the end result that they are unable to help create and share the opportunities that most of us take for granted.

However, within the tragedy and waste of lifetime and inter-generational exclusion, there is also a message of hope. It is possible, in principle, to identify those most at risk, and to intervene early, holistically and persistently, in order to expand opportunity and tackle the most deep-seated forms of exclusion. It is our sustained aspiration that everyone should have the opportunity to create and share in the successes of our society and economy.



Progress in extending prosperity and opportunity to all

2.1 This Government has made great progress in tackling poverty and social exclusion and promoting social justice. The Government has worked with millions of households to lift them above the poverty line, and concerted action on child poverty has dramatically improved the life chances of many of our children.

2.2 The benefits and opportunities generated by our successful economy have been shared by the many and not just by the few. For example, there are now 2.5 million more people in work than there were in 1997¹ and

access to higher education has been improved to the extent that we now have 44 per cent of 18–30-year-olds taking this opportunity, compared to 12 per cent of 18–21-year-olds in 1980.²

2.3 In addition, the steady rise in income inequality that characterised the 1980s and much of the 1990s has been halted. Economic growth and stability have ensured that 95 per cent of the population have seen their incomes grow by between 2 and 3 per cent each year. This is in contrast to the decade before 1997, when incomes of the top 50 per cent of earners grew by a similar 2 to 3 per cent but the incomes of the bottom 50 per cent grew by just 1 per cent.³

Box 2.1: Progress to date: independent assessments

"[This Government] has taken poverty and social exclusion very seriously and made genuine progress in reducing disadvantage, especially among families with children."

Joseph Rowntree Foundation, 2005

"The package of support for low-income working families with children is now one of the most generous in the world."

Centre for Analysis of Social Exclusion, 2004

"With the relative poverty line set at 60 per cent of median income, there are now 11.4 million individuals in poverty measured after housing costs and 9.2 million measured before housing costs... down 2.4 million and 1 million respectively since 1996/97."

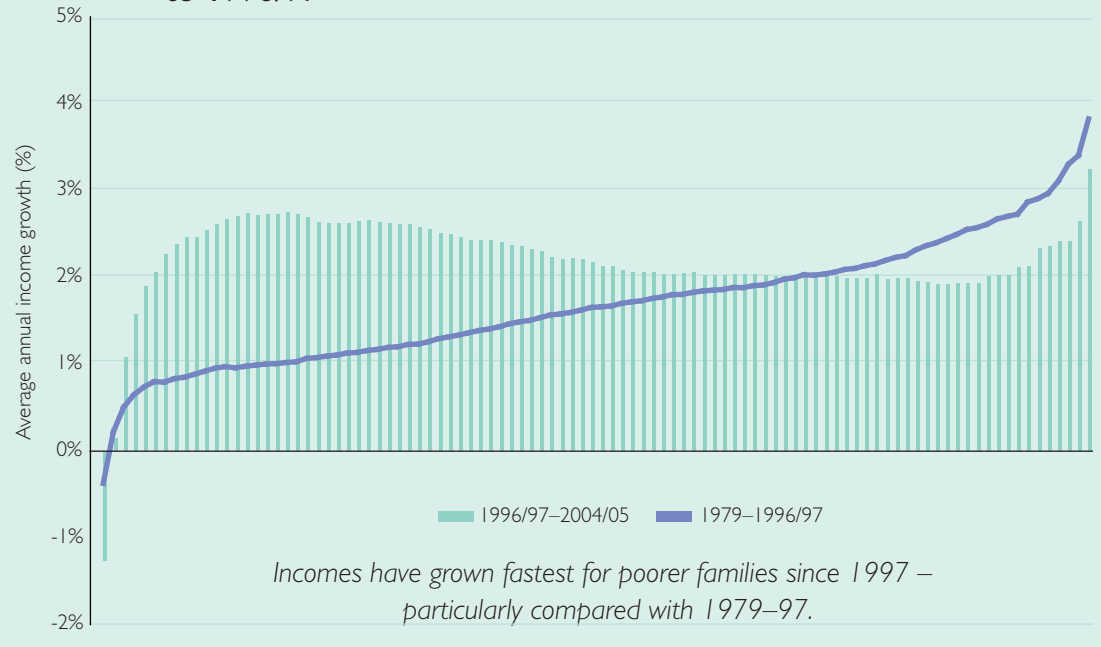
Institute for Fiscal Studies, 2006

¹ Office for National Statistics, Monthly Labour Market Statistics

² Department for Education and Skills (DfES) (2004) *Five-year Strategy for Children and Learners*

³ Institute for Fiscal Studies (2006) *Poverty and Inequality: 2006*. Note that this data also contains a number of students who may under-report their true income.

Figure 2.1: Income growth, 1996/97 to 2004/05 compared against 1979 to 1996/97⁴



How do we measure poverty?

Absolute low income is defined as 60 per cent of median household income in 1996/97, uprated by prices.

Relative low income is defined as 60 per cent of contemporary median household income.

- **Absolute poverty has been halved since 1997.**⁵ As real incomes have risen, the number of people below a fixed 1996/97 low income threshold has fallen from 14 million to 7 million.
- **Relative poverty has also fallen,**⁶ again against a backdrop of rising real income, making this achievement even more noteworthy. It fell from 25 per cent of the population in 1997 to 20 per cent in 2005. This means that **2.4 million fewer people now live below the poverty line.**

2.4 Some of the most vulnerable groups across society have benefited the most. In 1997, we were at the bottom of the European child poverty league, with the highest child poverty rate in Europe.

child poverty faster than any other European nation. The number of children in absolute poverty has been halved since 1997. We are now close to the European average⁸ – with the commitment and intention to achieve even more.

2.5 Since then, we have lifted 800,000 children out of relative poverty⁷ and reduced relative

⁴ ibid

⁵ DWP (2006) Households Below Average Income (after housing costs measure)

⁶ ibid

⁷ ibid

⁸ Eurostat (2005)

The drivers of change

2.6 Increased prosperity and falling poverty levels are the result of three key factors: improved economic performance and higher employment rates; better educational attainment across all key stages; and increased welfare provision for the most vulnerable groups and families.

- Since 1997, nearly 2.5 million more people have found work,⁹ boosting the employment rate to around 70 per cent. And there are now around 1 million fewer people receiving benefits.¹⁰
- There have been steady improvements in educational attainment at every key stage since 1997, with improvements for most ethnic groups and fastest progress in schools in the most disadvantaged areas. This has been underpinned by a doubling of investment in our schools and education system since 1997.
- Reforms to the tax and benefits system since 1997 mean that families with children will, by October 2006, be on average £1,500 a year better off in real terms than they were in 1997, with the poorest fifth being on average £3,400 a year better off.¹¹

The results

2.7 Reducing overall levels of poverty has had real and concrete impacts on the quality of life and well-being of many of the most disadvantaged and vulnerable people in society.

- Real-terms increases in the value of the basic state pension, along with the introduction of the Pension Credit, have helped lift over 2 million pensioners out of absolute poverty

and 1 million out of relative poverty since 1997.¹² The end result is that pensioner poverty has fallen to its lowest level in 20 years.

- Between 1996 and 2004, the number of people living in households suffering from fuel poverty (defined as having to spend over 10 per cent of household income on fuel) fell from 6.5 million to 2 million.¹³
- Rising incomes among the poorest families have meant more spending on essential goods for their children – food, clothing, footwear, games and toys. Among these families, spending on non-essentials such as cigarettes and alcohol has not increased. Instead, disadvantaged parents are using rising incomes to improve outcomes and provide greater opportunities for their children.¹⁴

2.8 And improvements are apparent in the most deprived areas. There are encouraging signs that – through a combination of national floor targets, coordinated local action through local strategic partnerships and targeted neighbourhood interventions (such as neighbourhood management) – we are beginning to turn the tide on the gap between the most disadvantaged areas and the rest.

- The gap between the percentage of pupils in the 88 most deprived areas and the England average achieving five or more GCSEs at A* to C narrowed from 10.2 to 8.1 percentage points between 1997/98 and 2002/03.¹⁵
- The gap between the overall burglary rate in the 88 most deprived areas and the England average reduced from 10.3 to 8.1

⁹ Office for National Statistics, Monthly Labour Market Statistics

¹⁰ DWP benefits data

¹¹ Budget (2006) HMT

¹² DWP (2006) Household Below Average Income (after housing costs measure)

¹³ Department of Trade and Industry (DTI) (2006) *UK Fuel Poverty Strategy Fourth Annual Progress Report*

¹⁴ Gregg et al (2005) *Family Expenditures Post-welfare Reform in the UK: Are Low-income Families Starting to Catch Up?* CASE Working Paper 99

¹⁵ DCLG (2006) *Making it Happen in Neighbourhoods. The National Strategy for Neighbourhood Renewal – Four Years On.* p.27

percentage points between 1999/00 and 2003/04.¹⁶

2.9 In addition there is evidence¹⁷ that the targeting of neighbourhood renewal fund (NRF) through Local Strategic Partnerships is leading to improved service delivery, including multi-agency working in the most disadvantaged communities.

Some left behind

2.10 Against this background of millions lifted out of poverty, the highest employment rates on record and year-on-year improvements in educational attainment, the more modest progress of a few specific groups in our society stands out dramatically.

2.11 Those on the very lowest incomes have seen the lowest rates of income growth. The very bottom 5 per cent of incomes have increased by around 1 per cent per year in real terms between 1996/97 and 2004/05, compared with annual increases of between 2 and 3 per cent for the rest of the population.¹⁸

2.12 Despite improvements in average educational attainment, some groups continue to underachieve. For example, 33.3 per cent of black Caribbean boys achieved five GCSEs at A* to C compared with a national average of 55 per cent.¹⁹ In addition, at any one time as many as 11 per cent of 16–18-year-olds are not in education, employment or training (NEET).²⁰ This figure has remained broadly static for over 10 years.

2.13 With more than 2 million people having entered the labour market, the employment rates in almost all sections of society have risen, including those of physically disabled people and lone parents. But there are a few exceptions to this general trend. For those with no qualifications, for example, employment rates have actually decreased from 51.7 per cent in 1997 to 49.6 per cent in 2005.²¹ This partly reflects the characteristics of this shrinking group, but it also reflects the changing nature of our economy and the reduced chances for those with no skills.

2.14 Similarly, while employment rates have been rising for those with most forms of disability, they have fallen among those with moderate to severe mental illness from 14 per cent in 2000 to 10 per cent in 2005.²²

2.15 So while the vast majority have benefited from the increased prosperity and opportunity of the last decade, there are a small minority who appear to have benefited less and who still experience profound exclusion and diminished life chances, when compared with the average. The evidence suggests that these are often the groups and individuals with the most complex and challenging problems.

2.16 Longitudinal surveys – which follow the life histories of people over time – have revealed a small proportion of people who experience particularly deep and persistent problems throughout their lifetimes. For example, international evidence shows that around 2.7 per cent of 15-year-olds – or 27 in 1,000 – can be described as having multiple

¹⁶ *ibid* p. 28

¹⁷ DCLG (forthcoming) *NRF Impact and Outcome Study: Draft Report*

¹⁸ Institute for Fiscal Studies (2006) *Poverty and Inequality: 2006* (note that this data also contains a number of students who may under-report their true income)

¹⁹ DfES *Statistical Release: Achievements at GCSE and equivalents for pupils at the end of key Stage 4 in 2005, for local authorities, by ethnicity*

²⁰ DfES *Statistical Release: Participation in Education, Training and Employment by 16–18-year-olds in England: 2003/2004*

²¹ Labour Force Survey

²² Labour Force Survey

problems, including alcohol and drug misuse, educational failure, contact with the police, early sexual activity and/or mental health problems.²³ Experiencing a number of problems – or multiple disadvantages – can reinforce the barriers to getting ahead and increases the likelihood of other related problems later in life, contributing to lifetimes of unemployment, offending or institutionalisation.

2.17 However, our understanding of the risk and protective factors for later negative outcomes is becoming more sophisticated and has the potential to help us identify warning signs early.

2.18 We know that children born into disadvantaged households have a higher

chance of experiencing similar problems to their parents²⁴ – this is known as the inter-generational cycle of disadvantage. It is a pattern seen across many of the most at-risk groups in our society, including teenage parents, children in care, those with poor educational attainment and those engaging in anti-social behaviour and offending.

2.19 Evidence has also demonstrated that individuals from the most disadvantaged backgrounds are at a greatly increased risk of the most acute combinations of problems. Longitudinal evidence from New Zealand²⁵ (see Table 2.1 below) shows that, for children born to the most advantaged 50 per cent of the population, only around 2 in 1,000 will end up with multiple problems at 15. Yet for children born to the 5 per cent most

Table 2.1: Risk of multiple problems at age 15 by family background²⁶

	Five or more problems at 15	One or more problems at 15
50% most advantaged family backgrounds	0.2%	18.7%
5% most disadvantaged family backgrounds	21.6%	86.8%

> 100-fold increase in risk

disadvantaged families, more than 216 in 1,000 will end up with multiple problems at 15 – an increased risk of more than 100-fold. Similar patterns are found in the UK (see Chapter 3).

2.20 These patterns of extreme and persistent disadvantage passed between generations are

dismaying – particularly as they have proved resistant to our efforts so far. However, the research²⁷ also holds out the possibility that we can identify the warning signs early and develop preventative interventions that support high-risk individuals from birth and help to stop the escalation of existing problems.

²³ Fergusson, D et al (1994) *The childhoods of multiple problem adolescents: a 15-year longitudinal study in Child, J. Psychology Psychiatrist Vol 35 No 6, pp. 1125–1140*

²⁴ Social Exclusion Unit (2004) *Breaking the Cycle – Taking Stock of Progress and Priorities for the Future*

²⁵ Fergusson, D et al (1994) *ibid*

²⁶ *ibid*

²⁷ For example, see: Feinstein, L and Sabates, R (2006) 'Predicting adult life outcomes for earlier signals: identifying those at risk'. Working paper available at www.number-10.gov.uk/files/pdf/PMSU-report.pdf; Sutton, C et al (eds) (2004) *Support from the Start: Working with Young Children and Their Families to Reduce the Risks of Crime and Anti-social Behaviour*. DfES Research Report 524;

McCarthy, P et al (2004) *Offenders of the Future? Assessing the Risk of Children and Young People Becoming Involved in Criminal or Anti-social Behaviour*. DfES Research Report 545; and

Karoly et al (2005) *Early Childhood Interventions: Proven Results, Future Promise*. RAND: Labor and population

Box 2.2: Our approach to prevention

Prevention means reducing the risk that individuals or families will experience problems later in life, and it can also mean preventing existing problems from escalating, or early intervention.

Early intervention to prevent problems can be seen as having two meanings: early in terms of age or early in terms of the onset of a problem – whatever the age of the individual.

Intervention at an early age – Evidence demonstrates that supporting families and children through their earliest years can pay dividends in terms of improved outcomes delivered through cost-effective interventions. Research has identified specific factors in the early years and through childhood that have marked positive impacts upon a wide range of individual outcomes that last through adolescence and into adulthood (see Chapter 3). An example is the Nurse–Family Partnership.²⁸

Interventions at an early age typically focus on promoting protective factors such as better parenting styles, more access to quality childcare or tackling child poverty.

Intervention at the early stages of onset – We also know that better outcomes result from intervening at the earliest stage of a particular problem becoming apparent – at the onset. For example, successful approaches to preventing street homelessness rely upon identifying the key signs that the individual is at risk of losing a tenancy – such as loss of employment or mental health problems – anticipating the risk of homelessness and then intervening to maintain the tenancy and address the associated problems.

Reaching the most excluded

2.21 The focus of government efforts over the last nine years has been about addressing the widespread poverty and disadvantage that had come to mark out the UK over the 1970s and 1980s. The increased opportunities that have resulted from these policies have combined with the aspirations and hard work of deprived families to bring dividends, both in terms of transformed lives for the previously poor and socially excluded, and in terms of benefits to wider society.

2.22 For example, it is estimated that the 2.5 million extra people in work have released

around £5 billion per annum of public spending for use on other public priorities such as health and education, as well as personally benefiting from being included in the day-to-day life of society.²⁹

2.23 But against this background of success, the relative lack of progress of a small minority stands out. In 1997, 4.8 million adults suffered from five or more disadvantages. By 2003, this number had dropped by 1.1 million to 3.7 million.³⁰ The individuals and families who have failed to benefit from the improvements and opportunities available are also those who tend to be caught in the deepest cycles of deprivation and disadvantage. For this small

²⁸ Olds, D (2006) The Nurse-Family Partnership: An evidence based preventive intervention, *Infant Mental Health Journal* 27, pp. 5–25

²⁹ DWP estimate (2006)

³⁰ Social Exclusion: the next steps forward. Speech by Rt Hon David Miliband MP, Minister for Communities and Local Government (2005)

minority, the barriers are not only economic but also social and cultural. These subtle barriers help to explain why even some of our most ambitious programmes aimed at breaking the cycle of deprivation have had only a modest impact to date on the most excluded.

2.24 Cracking these issues means a step change in the way in which central and local government – as well as the community and voluntary sector – address social exclusion. In other words, it means focusing on deep exclusion as well as wide exclusion.

2.25 The first step is to dispel the myth that it is not possible to identify and reach those most at risk of lifetimes of exclusion. The next step is to establish that there are interventions that work, and to ensure that these are widely taken up.

2.26 Thirdly, we must do more to promote multi-agency working to address multiple problems. We must ensure that services are incentivised to work around the individual, as opposed to individuals working around the service. And it must be clear that individuals have a right to take up the opportunities that are available, but also that alongside rights come responsibilities. Finally, we must make sure that we do not fail our most vulnerable members of society.

2.27 We want everyone to be able to share in the progress that we have made as a nation over the last decade. This report aims to be the next step in promoting the ability of all people to do so. The following chapter explains the guiding principles that will inform our renewed focus on social exclusion.

Box 2.3: “Social justice is not simply a moral ideal but an economic necessity... [This] is a plain fact obvious to anyone who has recognised the discouragement, the cynicism and anger which seep through the structure of our society, and which make people uneasy even if they are themselves more successful than others. They are uneasy because they fear for their own and their children’s future in such a society, and because, whatever their personal prospects, they do not really want to run their lives or their enterprises in a brightly lit and heavily guarded tent, surrounded by a wasteland of bitterness and disappointment.”

Commission for Social Justice (1994) *Social Justice: Strategies for National Renewal*