

STRATEGIC THINKERS SEMINAR

STRATEGY UNIT/SOCIAL EXCLUSION UNIT

The Future of Social Exclusion: Patterns and Policy Changes

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OVERVIEW

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PRELIMINARIES

- Very difficult task to predict the future
- Kierkegaard's aphorism holds - "Life can only be understood backwards but it must be lived forwards"
- Predictions are shown to be absurd over much shorter time scales viz poverty figures
- Vulnerability to shocks – economic, political, demographic, war, Chernobyl, terrorism, medical break-through

Central Policy Review Staff

- 1978 reported predictions of demand for social services in 2000
- Predicted 200,000 more births per year in 2000 than actual. Think of the empty classrooms!
- Predicted 400,000 fewer over 85s in 2000 than actual. Think of the shortage of chiropodists!

CONCLUSION

**The same groups will be poor as now
but fewer of them. Why?**

- Poverty of the 80s and 90s exceptional
- Caused by economic factors, demographic factors **but mainly policy**
- Those factors improving but mainly policy
- In fact it all depends on policy and that means politics

Why did poverty increase?

Economic factors

- Unemployment
- Changes in work - part-time work, casualisation, self employment
- Concentration of work in fewer households/worklessness
- Dispersion of earnings

Why did poverty increase?

Demography

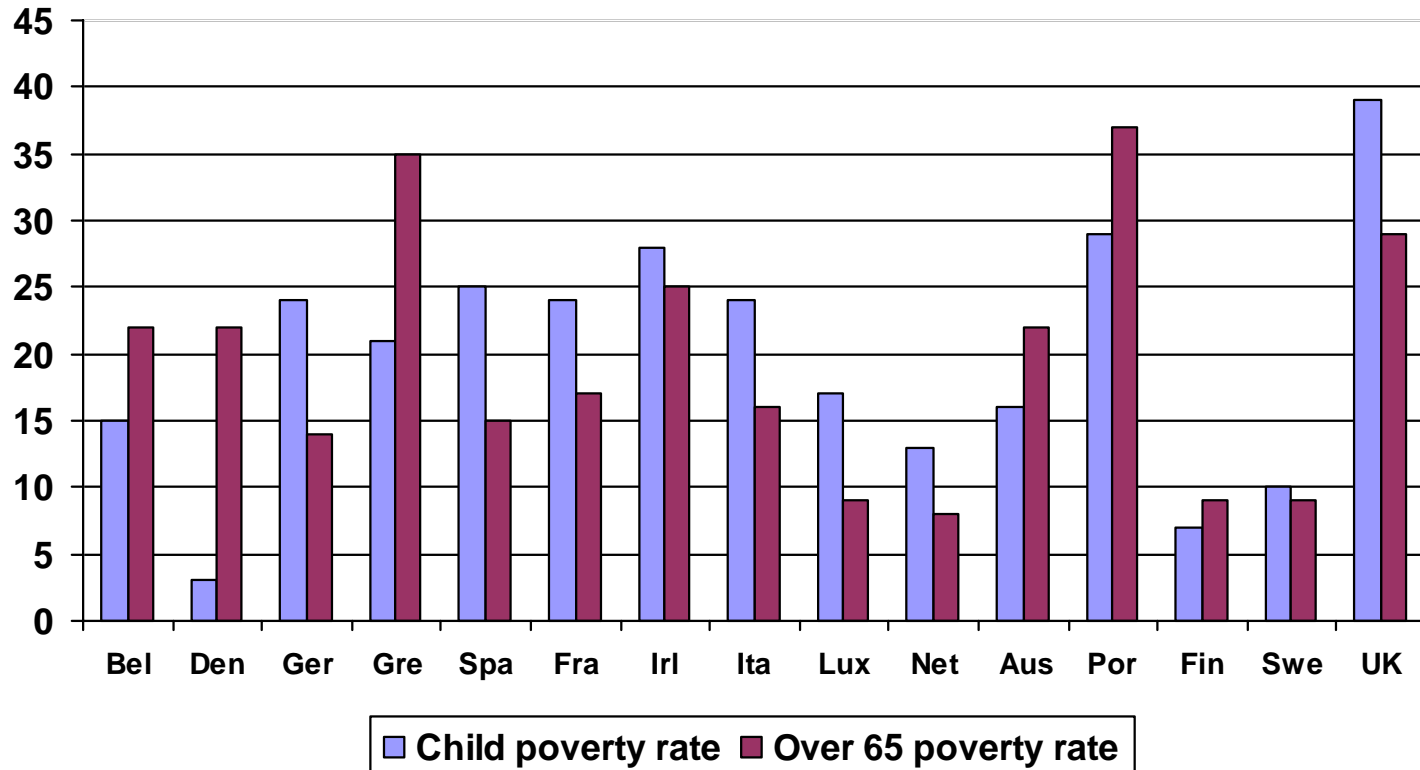
- 60s boomers facing limited labour demand in early 1980s and competing with women
- increase in lone parent families and not able to get jobs
- More elderly and growing dispersion in their incomes

Why did poverty increase?

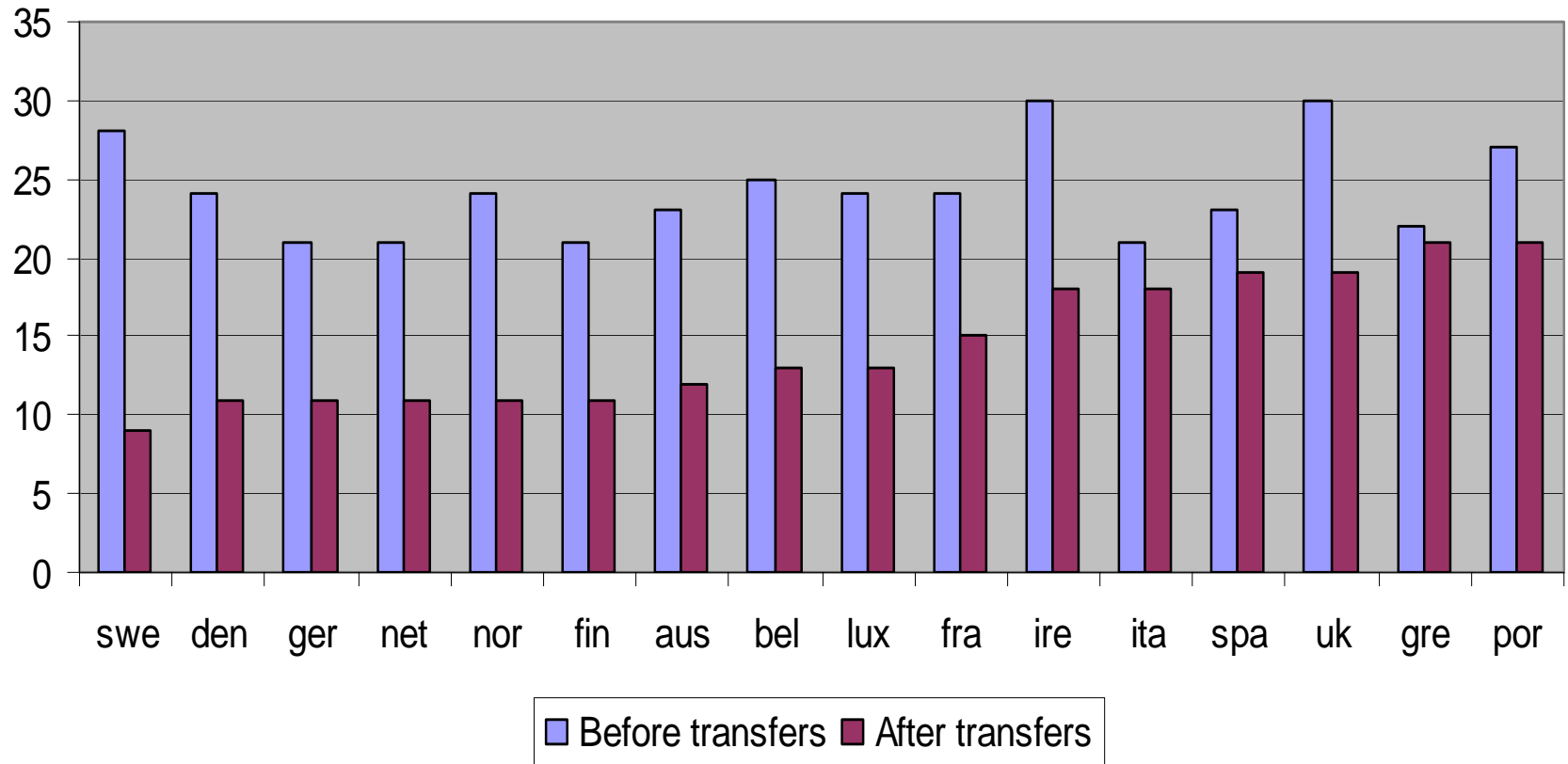
Policy

- uprating benefits with prices from 1980 to 2000
- freezing some benefits (CB)
- abolition of benefits (16-18 year olds, OPB)
- enhanced role for means tested benefits (take-up)
- cuts in direct taxation and shift from direct to indirect taxation
- cuts in expenditure on some services - especially housing

Chart 2.1: Child and over 65 poverty rates (1997).
Source: ECHP 1998 (EU 2001)



Poverty rate: % of persons with equivalised income < 60% median 1999



Prospects for poverty: Good

- **Economic factors good**
 - employment growing
 - unemployment falling
 - National Minimum Wage
- **Demographic factors good**
 - ageing on a plateau
 - fertility low and falling
- **Policy good**
 - Poverty at the heart of the domestic agenda + ?broader political support
 - Strategy includes prevention/well-becoming....
 - Work for those who can – worklessness down
 - Welfare for those who can't - benefits up
 - Targets
 - Monitoring

Possible problems (apart from shocks)

- Irresolution
 - the first two years
 - one penny cut in income tax rate wasted £2.44 billion could have lifted 695,000 more children out of poverty
- Behaviouralism rather than structuralism in New Labour
- Inequality matters – need for an appetite for redistribution
- Spatial concentration of unemployment
- Problems with the means test
- The task gets harder thesis
- Poor are having the babies
- Leaving home later
- Plight of single and childless
- Housing benefits

CONCLUSION

- Short of a catastrophe poverty will fall
- Even if I am wrong about the economics and the demography - it will fall
- It will fall because politics is what matters
- Policy matters – and policy is slowly working