

New Thinking on Poverty in the UK: Any Lessons for the South?

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This series of Poverty Briefings aims to provide up-to-date insights on the issue of poverty, including the state of current understanding or opinion. Each paper covers new as well as old thinking on the issue, areas of debate, new approaches which are being tried, the options available, and the recent findings of research and experience.

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The picture in brief

On a global scale, absolute poverty is concentrated in the South – but relative poverty and real deprivation also exist in the North. In the UK, over a quarter of people live in low income households, with worse health, lower life-expectancy, lower levels of social participation, and worse life chances than those above the poverty line. Children are disproportionately disadvantaged.

Current UK policy takes a cross-cutting approach to multiple deprivation and social exclusion, with over 100 separate programmes, some targeted at individuals at different stages of the life cycle, others targeted at deprived areas. There are some notable features of UK anti-poverty policy:

- The use of a social exclusion vocabulary, which draws attention to the causes of deprivation;
- The adoption of a life-cycle perspective, recognising the needs of individuals of different ages, but also the cumulative nature of deprivation;
- An emphasis on work for those who can, and social security for those who cannot, and targeting the obviously 'deserving' poor, particularly children;
- A primary focus on public expenditure and public service reform as the instruments to tackle poverty, with macro policy designed to underpin growth and stability;
- A cautious and largely covert approach to redistribution, avoiding overt redistribution through the tax system; and
- Widespread use of targets to create a culture of public service accountability – both output and input targets being embodied in Public Service Agreements and Service Delivery Agreements between the Treasury and other Government departments.

These features do not constitute a 'model' that developing countries should adopt. There is an active debate in the UK about whether the model is working and about what might be missing. There are also lessons that the UK can learn from the poverty debate in the South. However, the resurgence of debate in the UK confirms the potential for a fruitful dialogue across the boundary between developed and developing countries.

Some challenges for development co-operation

- Find ways to develop a dialogue between North and South on anti-poverty policy.
- Consider adopting the language of social exclusion, in order to highlight the causes of poverty.
- Look more closely at trajectories of exclusion and at cumulative deprivation.
- Investigate a life-cycle approach to poverty analysis, with multiple interventions for different age-groups.
- Consider whether area-based programmes help tackle multiple deprivation.
- Make redistribution a higher priority, and set targets for reductions in inequality.
- Recognise the political value of targets, use them pragmatically, and expect them to be used as rallying-points by anti-poverty campaigners.
- Remember that there are no universal models of poverty reduction.

Introduction

Rich and poor countries differ markedly in income, economic structure, administrative capacity and political configuration. But are there some lessons developing countries can learn from current thinking in developed countries? Experience in the UK suggests there are. The context is a sharp increase in the level of poverty in the UK during the 1980s, largely sustained in the 1990s. Poverty is usually defined in relative terms, for example as half mean income, but relative poverty has real consequences for such quality of life outcomes as health and life expectancy (Box 1).

Box 1: Poverty in the UK – relative deprivation, real disadvantage

- The percentage of people in households below half mean income rose from under 10% to almost 25% between 1979 and 1999.
- Children are disproportionately represented among the poor: over one quarter of children live in low income households.
- Poor people have inadequate diets – poor lone parents, for example, failing to meet recommended daily allowances for iron, calcium, dietary fibre, folate and vitamin C.
- Men in social classes I and II have a life expectancy at 65 which is 25% higher than men in classes IV and V.
- People in the poorest fifth of the income distribution are over one and a half times less likely to participate in social, political or community organisations than those in the richest fifth.

Poverty policy in the UK

The UK has always had substantial social security programmes, but the political salience of poverty reduction increased sharply with the election of the Labour Government in 1997. New policy work on poverty was carried out by the Treasury, a Social Exclusion Unit was created in the Cabinet Office, and the Secretary of State for Social Security was given overall responsibility for poverty reduction policy. In 1999, a new Annual Report was launched on poverty and social exclusion (Box 2).

UK policy (as summarised in Opportunity for All – Box 2) is characterised by a model of poverty which focuses on multiple deprivation, for example a combination of unemployment, poor skills, low income, poor housing, a high crime environment, bad health and family breakdown. A life-cycle perspective (distinguishing children, young adults, people of working age, older people) breaks the problems down by age group, and also brings out the cumulative nature of deprivation. The over-arching principle underlying policy appears to be to provide work for those who are able, and social security for those who are not.

The role of macro-policy is to underpin growth and stability; this contributes to poverty reduction by reducing unemployment and by strengthening the public exchequer. Additional and specific anti-poverty interventions then focus on public service delivery, featuring efforts to reform the public sector and improve accountability, as well as the introduction of new anti-poverty programmes.

In 1999, there were more than 120 specific interventions underway, not all new (Box 3). Some are targeted at individuals at different stages of the life-cycle, for example the New Deal

(providing work experience and training for the unemployed) or the Working Families' Tax Credit (designed to increase the income of those in low-paid work). Most of these are means-tested. Others are targeted at deprived communities, for example the New Deal for Communities or the Single Regeneration Budget (investing in infrastructure, job creation, health and education in the poorest communities).

UK policy is target and performance-driven. National targets include the commitment to eliminate child poverty within twenty years, and a whole series of target-group or sector-specific targets: for example, to improve educational attainment ('85% of 14-year olds to reach the required standard in English, maths and IT by 2007'), reduce crime ('burglary down by 25%') or improve housing ('sub-standard houses reduced by 30%'). For individual ministries, targets are embodied in Public Service Agreements. These provide the basis for budget settlements through a Comprehensive Spending Review process, which sets spending in a three-year framework: the latest was announced in July 2000.

How successful is this strategy? Since 1997, favourable macro-economic conditions have delivered lower unemployment and (eventually) higher public expenditure. More specific anti-poverty interventions are mostly too new to evaluate fully: inevitably, there are both some successes and some lessons to learn. Child poverty is down by over a million.

Lessons for the South?

A social exclusion model

As the DAC poverty guidelines point out, understanding of causality is weak in most donor analyses of poverty: it has been described as the 'missing middle', between description and prescription.

The social exclusion model puts causes more firmly in the picture. Social exclusion is defined as 'the process through which individuals or groups are wholly or partially excluded from full participation in the society in which they live' (European Foundation 1995). Poverty is seen as resulting from different processes in the realms of rights, resources and relationships: the focus is on institutions.

Box 2: Opportunity for all

In 1999, the UK Government published its first Annual Report on tackling poverty and social exclusion. Entitled 'Opportunity for All', the report: reviewed the extent of poverty in the UK; reiterated targets, such as the objective of eliminating child poverty within twenty years; and summarised programmes designed to tackle poverty.

The second Annual Report was published in September 2000. The focus is on 'tackling the causes of poverty and social exclusion and helping individuals and communities to take control of their lives', in a partnership with local government, the voluntary sector, business, and others. Overall and sector specific targets are reiterated and developed. Specific strategies for different age groups are identified, for example: 'investing in the crucial early years and education to break the cycle of deprivation'; 'building a proactive welfare system which helps people into work'; 'tackling the problems of low income and social exclusion among today's pensioners'; and 'ensuring core public services address the special needs of deprived areas'. The strategies are supported by 'policy milestones', e.g. to establish 500 Sure Start programmes to support young children by 2004, or publish a strategy on fuel poverty by 2000. (www.dss.gov.uk)

Box 3: UK Anti-poverty Policy – examples of key programmes

Sure Start	Integrated services for families with young children (home visiting, expanded day care, health education, other services).
Education Action Zones	Additional resources for schools in deprived areas, to encourage local partnerships.
ONE	A single gateway providing advice on work, benefits and childcare to people of working age.
New Deal for 18–24 year olds	Benefits conditional on taking up training, working in the voluntary sector or with an Environmental Task Force.
Working Families' Tax Credit	Guarantees a minimum income for families in work.
Pensioners' Minimum Income Guarantee	A means-tested benefit to underpin the income of elderly people.

A further strength of the social exclusion approach is that it encourages poverty analysts to look at the pathways or trajectories of disadvantage. Sometimes, these apply to individuals over a relatively short space of time – for example, an individual who loses a job, whose marriage breaks up, and who then finds themselves homeless. Sometimes, trajectories into poverty may extend over years: poor education, leading to low-wage and insecure employment, leading to a poor environment for raising children, and so on.

UK anti-poverty policy responds to this in two ways: first, with its emphasis on the life-cycle, developing different measures for different stages; and second, with programmes designed to tackle multiple deprivation on an area basis, for example Action Zones, or the New Deal for Communities. In the latter, at least, it has followed the French example, which has long had programmes of this kind (by the early 1990s, there were already 400 programmes funded under the Social Development of Neighbourhoods (DSQ) initiative).

Rights and responsibilities

Some social exclusion models rest on theories of solidarity and of rights, particularly economic, social and cultural rights (see ODI Briefing Paper 1999(3)). In the UK, rights are recognised (the European Convention on Human Rights was taken into UK law in October 2000), but are also balanced against a notion of responsibility. Those who can work are encouraged and required to do so (including those with child care responsibilities and mild disabilities). Those who cannot find a place in the labour market are expected to take up training or participate in work experience. Workers are encouraged to save for their retirement. Communities are encouraged to participate in regeneration programmes. There are financial incentives to fulfil these responsibilities; and some degree of coercion (for example, on training and job-seeking). A distinction is implicit between the deserving and undeserving poor.

A corollary of the new approach is a bias to means-tested benefits. For example, a much-debated issue has been whether

additional payments to old-age pensioners should take the form of increments to the untested standard pension, or whether they should form part of the means-tested minimum income guarantee. The Labour Government has favoured the second, but many argued that the basic pension was a right, and that means-testing was demeaning. A further argument was that political support for benefits (and other public services) was stronger if they were universal: means-testing was argued to weaken middle-class support for transfers, and result in 'poor services for poor people'.

Beyond public expenditure

Public expenditure is probably the main weapon in the armoury of UK anti-poverty policy, and has been harnessed to a strongly instrumental, target-driven programme. The other important leg, however, has been reform of public services, to improve efficiency and accountability.

Sometimes couched as an assault on 'forces of conservatism' in the public services and the professions, reform has involved setting targets, publishing league tables of performance, and setting incentives to reward success, for example through performance-related pay. Thus, annual tables are now published giving exam results for every school in the country, and for the performance of every health authority. Teachers are just one group of professionals struggling with the implications of pay awards linked to these results: how can the impact of social deprivation on quality of intake be allowed for? How can the contribution of individual teachers be isolated in a team-work setting? And is it fair to do so? Can performance-related pay actually be de-motivating?

The jury is out on whether these innovations will lead to a sustainable improvement in the public services, independent of additional funding; the Government does, however, claim some levelling up. Alternative models exist: for example, offering citizens more choice as consumers between alternative service providers, or setting up internal markets (as the previous Conservative Government tried to do in the National Health Service). Sometimes, better performance can be encouraged by giving the consumers of public services an 'exit option'.

Redistribution

Redistribution is important in UK, not least because poverty is defined in relative terms: a target of eliminating child poverty in twenty years means that no children will be living in households below half mean income (a brave, if not completely unrealistic target). Redistribution is also important because equality (of opportunity if not outcome) is valued in itself: as a spur to growth, and as an attribute of a socially cohesive society.

The gini-coefficient, which measures inequality, is relatively low in the UK by many developing country standards at 0.35 (1998–9), but still implies large differences in income: figures show the richest 20% of the population earning nearly seven times more than the poorest. Inequality has been worsening in the UK, as it has in many countries: for example, in the first two years of the Labour government, the household income of the richest 10% rose by 7.1%, that of the poorest 10% by only 1.9%.

The problem is that redistribution is a political hot potato. The Labour Government was elected on a platform designed to appeal to the centre, for example pledging not to increase income tax, and, for the first two years of its administration,

not to volatile spending limits imposed by its Conservative predecessor. Its subsequent strategy has been called 'redistribution by stealth', a combination of 'hidden' tax increases, for example based on technical changes to company law, and careful targeting of additional expenditure, for example using the proceeds of a windfall tax on formerly monopolistic utilities to fund the New Deal for the unemployed. The tax component of this strategy may have exhausted its potential, however. In the autumn of 2000, tax levels featured prominently in a public outcry about the rising price of fuel.

On the expenditure side, spending on education and health can also be seen as redistributive in both intent and outcome: redistributing opportunity rather than income per se. This is a long term strategy, however. There has been no attempt to redistribute wealth, for example by introducing a wealth tax or by increasing inheritance tax.

This is a cautious philosophy, perhaps unnecessarily so – and is likely to be slow-acting. Some countries (e.g. Taiwan) have shown that it is possible to achieve significant redistribution through the tax system. Others have achieved significant redistribution of land and other assets. Should targets be set for lowering inequality, of similar weight to those set for growth and poverty reduction?

Targets

The enthusiasm for targets is one of the most debated aspects of poverty policy in the UK, as it is in developing countries. Do targets provide political momentum, focus resources, motivate staff, and provide the basis for rewarding good performance? Or alternatively, do they over-simplify complex problems, distort spending, encourage falsification of records, and conceal underlying problems? Both pro and anti positions receive support in the UK.

The UK Government has been challenged by the debate over targets, for example on hospital waiting lists (Box 4). Nevertheless, it has retained an enthusiasm for targets and indicators, as embodied in the Comprehensive Spending Review and in Public Service Agreements. As Opportunity for All 2000 illustrates, the multiplication of programmes is associated with the proliferation of targets and policy milestones, with consequent implications for monitoring.

One consequence of a target-driven approach is that published targets provide rallying-points and pressure-points for anti-poverty campaigners in the UK. This is in part an intended outcome (see the discussion on reforming the public sector).

Conclusion

Focusing on the experience of the North does not imply that there is a 'model' on offer that can be transferred to the South. Anti-poverty solutions need to be tailored to specific circumstances; and in any case, the 'model' currently deployed in the UK is neither settled nor uncontroversial. It offers merely one attempt to grapple with familiar issues, and one opportunity to study the merits and demerits of different solutions.

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Box 4: Targets in practice – the case of hospital waiting lists

The Labour Government elected in 1997 pledged itself to a reduction in waiting lists – by 100,000 by the next election. This target proved problematic, however, not least because resources remained constrained and because the country suffered a severe 'flu outbreak in the winter of 1998/99. More awkwardly, hospitals were found to be targeting the waiting list at the expense of other, more important medical criteria – for example, prioritising less-urgent but easy-to-treat cases, at the expense of needy but costly cases. The policy was revised in October 1999, shifting the focus more squarely onto reducing waiting lists for cardiac surgery and cancer treatment. Nevertheless, waiting lists remained an area of concern. In July 2000, a new ten-year plan for the National Health Service specified cutting waiting times rather than numbers. The 100,000 target was met, however.

Furthermore, a focus on the North does not imply that there are no lessons to transfer the other way. Quite the reverse. For example, the North can learn much from the South's experience of participation; and from its long experience of targeted interventions, such as micro-credit.

The real lesson is that there are valuable learning opportunities across the boundary between developed and developing countries. Globalisation means that the causes of poverty are increasingly common to countries in North and South. For example, social safety nets may be harder to sustain if countries are competing to attract foreign investment with low tax regimes. Developed and developing countries have many common interests in social policy (see also ODI Briefing Paper 2000(2)).

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