



Economic inequality and poverty: where do we go from here?

Economic
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Abstract

Purpose – The paper aims to compare applied social policy approaches to child poverty and economic inequality, the latter being mainly operationalised in the UK in terms of social mobility.

Design/methodology/approach – The paper considers the theoretical stance underpinning New Labour's approach towards social policy, with particular reference to "individualisation", and reviews Government strategies towards tackling poverty and economic inequality.

Findings – Despite a decade of unprecedented investment, there is an impasse in reducing child poverty and economic inequality has increased. Policy now relies on education as being the clinching factor to break this impasse. Education is vital but education alone will not tip the balance in eradicating poverty. The assumption that education will facilitate social mobility, by serving to position the UK at the high end of the global labour market, fails to address the prevalence of the "low-pay-no-pay" cycle associated with the flexible labour market. Further measures are necessary to ensure that the labour market accommodates the needs of those entering it.

Originality/value – The paper shows that, given the failure of current social policy to address poverty and inequality, especially given that post-recession conditions are likely to be less favourable than in the last decade, there is an urgent need for bold, new policy thinking. Pinning all hopes on education – and seeing solutions only in terms of individuals' skills and aspirations, without critical consideration of the nature of the labour market – cannot be accepted as the best way forward.

Keywords Social policy, Poverty, Socio-economics, United Kingdom

Paper type Viewpoint

Introduction

The idea for this paper came from the 2009 conference held by the Centre for Research in Social Policy – an applied social policy research centre – on the theme of inequality, a subject fundamental to social policy but one notably understated in New Labour's social policy agenda. The paper compares policy in relationship to economic inequality and poverty – the latter being the primary focus of New Labour's policy agenda. This discussion is set in the context of a growing sense of impasse in current social policy. Despite unprecedented political motivation, progress has stalled in reducing child poverty and improving economic inequality. As recession unfolds in the UK, some commentators have suggested that the progress made in the last decade is "as good as it gets" for the foreseeable future (Hills *et al.*, 2009). The outcome – and the value – of comparing applied policy in relation to poverty and economic inequality is that it highlights the narrowness of the Government's strategy to break the impasse in progress, and a dependence on education as being the clinching factor, underpinned by a questionable rationale about the future globalised labour market.

Comparing applied social policy approaches to poverty and economic inequality also highlights a dependence on a "bottom up", "individualistic" approach – that is, a focus on helping individuals and families to improve their circumstances *themselves*, either through employment or education. This is clearly reflected in the Government's emphasis on personal responsibility to work, "realising potential" (DWP, 2008) and "unleashing aspiration" (Cabinet Office, 2009a). Providing people with skills and resources is of course essential. However, without further critical consideration of the



social and economic environment (e.g. the nature and conditions of the labour market) which people then encounter, disadvantage and inequality are viewed narrowly as the consequence of individual action.

Although the paper considers *applied* social policy issues (how “poverty” and “economic inequality” are operationalised and measured, and what progress has been made), a “sub-plot” to such developments and their consequences is the influence of the “third way” thesis of individualisation on the New Labour world view. This thesis has been forwarded by, among others, Anthony Giddens, frequently described as Tony Blair’s “guru” (Lister, 2004, p. 19). Individualisation is understood as the processes arising from the conditions of contemporary society in which lifestyles and life courses are no longer driven by tradition and structural determinants. Instead people are personally responsible for life-planning, making their own biographies and for “taking charge of one’s life” (Giddens, 1991, p. 73). Structural dynamics might still mediate choices, but individuals have to make choices about their identities and life courses: “each person’s biography is removed from given determinations and placed in his or her own hands, open and dependent on decisions” (Beck, 1992, p. 135). One of the main critiques of the concept of individualisation is that it underplays the importance of structural forces on choices and life trajectories (Furlong and Cartmel, 1997). Arguably, the current dearth of new policy approaches required to address the impasse in reducing poverty and economic inequality reflects a point now at which an underlying reliance on the potential of individualisation is becoming unstuck.

While “poverty” and “economic inequality” are closely related terms, they refer to distinct and different concepts. The Government’s anti-poverty policy – by which I refer primarily to policies targeted at eradicating child poverty – reflects the concept of individualisation. Because of the way it operationalises the concept of poverty, current social policy constructs the problem of poverty as being “the poor”. Until recently, anti-poverty policy has been exclusively about lifting people in poverty from below to above the income poverty threshold. In this sense poverty leads to a relatively individualistic approach in current applied social policy: a focus only on people in poverty, rather than the processes and structures which lead and keep them there.

In contrast, economic inequality refers to the disproportionate distribution of financial resources across the whole population. By definition, the problem here is the processes and structures which mediate fair access to resources. The Government has not developed policy to address economic inequality as such. The closest it comes to economic inequality is a policy agenda aimed at improving social mobility by promoting equality of opportunity through education.

Recently, however, policy approaches towards the more immediate goal of eradicating child poverty and the longer term project of improving social mobility have merged in their emphasis on education. This has come about because failure in reducing child poverty rates has led to recognition of the necessity to improve job retention and progression, and a drive to improve training and education for this purpose (Smith, 2008). While this is in itself significant – the merging of applied policies for poverty and social mobility – it also compels us to consider where these developments might lead social policy. For example, looking towards the future, it is unlikely that improving education and training alone will serve to tip the balance in terms of eradicating child poverty. In order to pursue this aim, it is difficult to see that anti-poverty policy can avoid locating the problem of poverty in more institutional and structural realms, such as the labour market itself. Having already begun to move away from an individualistic focus on lifting people above the poverty threshold, and

extending its remit to improving employment opportunities through training, then arguably the question of if and how the labour market can accommodate better job retention and progression would seem like the next logical consideration.

Equally bold considerations are required to revitalise the social mobility agenda. Although by definition economic inequality is concerned with the structure and nature of distribution of resources across society, policy in this area focuses almost exclusively on education. While education is key, it will not necessarily prevent the immobility of those caught in low-pay-no-pay cycles, unable to develop the work skills necessary to progress in work over the life course. Again, it seems important – and fair – not to locate social problems only with individuals (e.g. degree of education), but also to address the environment (e.g. labour market) which they have to negotiate.

New Labour's poverty problem

During the 1980s and early 1990s – a period in which child poverty rates peaked – the Tory Government denied the existence of poverty in the UK. In a speech in 1989, the Secretary of State at the time claimed that poverty, as most people understood it, had been abolished and what critics referred to as poverty was “simply inequality” (cited in Gordon and Pantazis, 1997, p. 5). A non-interventionist approach was taken to addressing disadvantage associated with low income, with the theory that the fruits of economic reform would “trickle down” and benefit society as a whole.

Against this background, New Labour's pledge in 1999 to eradicate child poverty was ground-breaking and ambitious. The Government's current, main measurement of poverty is relative income poverty. Following European convention, the income poverty threshold is set at 60 per cent of median average national income. In principle, this is meant to be a relative poverty threshold in that it is meant to refer to something more than a survival or subsistence level (*absolute poverty*) but to encompass those “whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life” (EEC, 1991, p. 21). This follows Townsend's seminal definition of relative poverty as the lack of resources required to “participate in the activities and have the living conditions which are customary, or at least widely encouraged or approved, in societies to which they belong” (Townsend, 1979, p. 31). *Income* in the relative poverty measurement represents a *proxy* for poverty. What matters is not how much money someone has in their pocket or bank account at any given point-in-time, but whether they are able to afford material necessities and participate in essential activities.

In practice, the 60 per cent threshold is an arbitrary measure, not based on evidence about household needs, so it cannot be said what level of economic well-being it is meant to or does allow. However, it is unlikely to provide for the social participation and inclusion Townsend had in mind. Recent budget minimum income standards research – based on views of members of the public about what constitutes a minimum socially acceptable standard of living – suggests that most households with incomes of 60 per cent of average or below fall far short of being able to achieve this standard. For example, a single working-age person without children would need an income of 78 per cent of average income in order to achieve the minimum income standard, while a couple with two children require 80 per cent (Hirsch *et al.*, 2009).

In practice too, the measurement of poverty has become confused with the meaning of poverty. Policy seems to have lost sight of the fact that (point-in-time) income is a proxy for poverty rather than necessarily the reality of poverty. The focus for poverty strategies and poverty targets has become those households which fall under the income threshold and, consequently, the solution is read as lifting those people over the

income threshold to effect a transition from poverty to non-poverty. For example, the current official poverty rate is calculated based on cross-sectional data from the Family Resources Survey (FRS). The FRS is a point-in-time survey: households are interviewed on a one-off basis, and asked about their circumstances at that current time. Change in the poverty rate is estimated by comparing the data gathered at one point-in-time with that gathered at a later period or periods. The survey draws on independent representative samples and so is unlikely to include the same individuals more than once. This approach thus entails capturing a “snap shot” of the number of low-income households at one point-in-time, with change in the poverty rate calculated as the difference in the number in poverty from one year to the next.

This approach towards measuring poverty can give rise to a misleading view of the nature of poverty. For example, it might be assumed from the figures that those households in poverty at one point are pretty much the same households found in poverty at later points. It might further be assumed that the poor share the same experience of poverty: after all, distinctions are not made in terms of severity or length of poverty. And if the poverty rate drops it appears that hitherto poor families are no longer poor. From this perspective, it follows that the appropriate policy response to addressing child poverty is to get low-income families above the income threshold. However, the focus on point-in-time income and the sense that poverty can be fixed by a transition over the income threshold has become increasingly untenable.

New Labour’s poverty solution

Since pledging to eradicate child poverty, the Government strategy to do so can be characterised as having two elements: to increase employment rates among parents, and to increase financial support to low-income families. Efforts to increase employment are seen in the expanding New Deal programmes and welfare reform agenda. Increased financial support is delivered in the form of Child Tax Credits for families with children. Working Tax Credit is also key, both as an incentive for parents to work (to try to ensure that “work pays”) and in order to supplement the income of the families of low-paid workers.

These interventions can be described as “individualised” ones in that they are targeted at individuals and households in poverty. For example, family income is focused on rather than the costs of housing, goods and services; getting people into work is focused on rather than the employment market.

Although the use of benefits and tax credits has the potential to facilitate income redistribution, this has not been a strategy pursued by New Labour. Sefton and Sutherland (2005, p. 232) suggest that, in a break from old Labour’s stance on high tax for high earners, the New Labour project involved “a very conscious effort not to be seen to be trying to penalise those at the top end of the income distribution. Sefton and Sutherland go on to quote Gordon Brown’s assertion in 1996:

For too long we have used the tax and benefit system to compensate people for their poverty . . . the road to equality of opportunity starts not with tax rates but with jobs, education and the reform of the welfare state (cited in Sefton and Sutherland, 2005, p. 233).

Indeed, although tax and benefit changes since 1997 have benefited low-income families, the top rate of income tax has not changed (except for the recent plans for increasing taxes from 2010 for highest earners). Taking into account both direct and indirect taxation, high-income families have gained more from the tax regime (Evans and Williams, 2009).

Initially, the Government's strategy made progress and child poverty rates fell from 34 per cent in 1998/1999 to 28 per cent in 2004/2005 – a reduction of about a fifth (DWP, 2009a). However, since then progress has faltered and the child poverty rate has risen to 31 per cent (DWP, 2009a). Projections based on current policies suggest that the Government will not meet its target of halving child poverty by 2010 – falling 600,000 children short of the target – and that by 2020 child poverty will rise from 2.9 million to 3.1 million children (Hirsch, 2009).

The impasse in reducing the poverty rate has been attributed to two factors. First, the rate of increase in benefits and tax credits leading up to 2003 were not sustained over the next five years (Hirsch, 2009). The 2008 budget – as part of the Government's "renewed approach" to child poverty – committed an additional £1 billion in Child Benefit, Child Tax Credit and Housing and Council Tax Benefit (HMT, 2008). However, this has been offset by the recent increase in child poverty and costs of the recession and it has been estimated that a further £4.2 billion a year in benefits and tax credits will be required if the 2010 target is to be achieved (Hirsch, 2009).

The second factor relates to the nature of the employment market and the dynamics of poverty. The Government has repeatedly asserted that employment is the best route out of poverty and it is true that entry into work is significantly associated with an exit from income poverty (Smith and Middleton, 2007; DWP, 2009b). However, from the perspective where movement above the income threshold at a single point-in-time is interpreted as movement out of poverty, too much can be read into these exits.

In contrast to point-in-time cross-sectional surveys, longitudinal or dynamics research – tracing the changing circumstances of the *same* households over time – reveals a much more rounded understanding of poverty. In particular, it shows that rather than being dichotomous (poor or not poor), poverty is dynamic, and diverse and multi-dimensional in terms of severity and duration (Smith and Middleton, 2007). Some households experience temporary, isolated blips of low income. Some households experience more persistent poverty. Between 2003 and 2006, 14 per cent of children were in poverty for three out of the four years, compared with an average point-in-time poverty rate of 30 per cent in the same period (DWP, 2009a, b). Most households in poverty at any one point-in-time are likely to be experiencing recurrent poverty (Jenkins and Rigg, 2001). These are households "bouncing" above and below the poverty line over time. The reason for the high incidence of recurrent poverty is that income mobility tends to be short range (Jarvis and Jenkins, 1996). For example, Bradbury *et al.* (2001) found that 57 per cent of children entering poverty came from a borderline low income (50-60 per cent of median income, where 50 per cent was used as the poverty threshold); 44 per cent of children escaping poverty only moved as far as this borderline income bracket. If income mobility is so short-ranged, this also casts doubt on how meaningful episodes of "slightly above-threshold" income are for families' economic well-being. Indeed, there is evidence to suggest that unsustainable, brief bursts of higher income are unlikely to have much impact on the material circumstances or opportunities for participation among households with a background of poverty (Berthoud *et al.*, 2004).

What the dynamics research clearly shows is that movement above the income threshold does not reliably translate into movement out of poverty. Genuine escape from poverty involves sustained economic well-being and a stable, secure reasonable income. On this basis, point-in-time exits from income poverty associated with movement into work should not be over-rated or interpreted as necessarily significant movement out of poverty.

The Government's emphasis on employment at the heart of the anti-poverty strategy has been flawed due to the high incidence of in-work poverty, and to an over-reliance on job-entry as an end-goal solution. In terms of in-work poverty, a half or more of children in poverty live in a household with at least one adult in employment. The situation is worsening due to an increasing prevalence of low wages and, according to Kenway (2008, p. 4), "the number of children in in-work poverty has now returned to the level that it was when Labour came to office. The net overall effect of policy on in-work poverty is zero". For many, the problem of in-work poverty is a consequence of inadequate pay and working conditions, and the dynamic which Stewart (1999) calls the "no-pay-low-pay" cycle. Longitudinal data show that people on low wages are more likely to exit work than those on higher wages and that new entrants to the labour market are likely to enter into low-paid work. Because low pay tends to be persistent (there being considerable immobility across the earnings distribution from year to year), a cycle develops recurrent movement between unemployment and low-paid, insecure jobs (Stewart, 1999; Dickens, 2000).

Poverty dynamics research demonstrates that the only genuine escape from poverty is a sustained escape. The high incidence of recurrent poverty means that while policies may have been effective in triggering poverty exits, because they have not followed through to support and sustain exits, families have returned to poverty and the overall poverty rate remains unchanged. In practice, as increasing employment rates is the Government's primary tool for tackling poverty, this means that no matter how successful strategies are in securing job-entries for adults in low-income households, poverty rates can only be reduced and economic well-being only genuinely improved if employment is sustained. Moreover, it is likely that job-entry into insecure work actually increases poverty risks. For example, Adelman *et al.* (2003) found that children in households with no workers in each year were at less risk of poverty than those in households where people had moved out of – or in and out of – employment. Of children in persistent and severe poverty, 19 per cent came from households continuously without workers, 20 per cent came from households in which there had been one transition from work to no work and 29 per cent came from families where there had been two or more transitions from work to no work (Adelman *et al.*, 2003).

The problems of in-work poverty and the low-pay-no-pay cycle have only recently been acknowledged by the Government. In response to the impasse in reducing the child poverty rate, the Government launched a "renewed approach" to tackling child poverty (HMT, 2008). The "renewed approach" reiterates the emphasis on getting parents into work but, compared with previous strategy documents (for example DWP, 2006), there is also a distinct prominence given to employment retention and progression (HMT, 2008). Progression in work and up pay scales is highlighted as the means required to tackle in-work poverty; retention is required to avoid cycling in and out of unemployment and low pay. More specifically, following the Leitch Review of Skills (Leitch, 2006) and the Harker Report on measures necessary for meeting the child poverty targets (Harker, 2006), the policy approach to improving retention and progression is through training and education.

This broadening out of the poverty strategy is welcome and significant – a shift away from an exclusive focus on job entry and towards an understanding of the necessity of sustainable economic well-being. The new emphasis on training and education in policy for the eradication of child poverty also marks a distinct cross-over with the broader opportunity for all agenda, as discussed below.

Economic inequality

Brewer *et al.* (2009) report that income inequality in the UK is now at its highest since at least 1961. While the Government managed to maintain and even reduce inequality in the earlier period of its administration, it has increased substantially in recent years. Since 2005 all income growth has been almost “uniformly inequality-increasing”:

That is, for most points of the income distribution since 2004-05, the higher up the income distribution we go, the higher the annual growth in incomes. Income growth has been negative for the bottom 20 per cent of the income distribution over this time period . . . (Brewer *et al.*, 2009, p. 21).

Currently, the poorest 20 per cent of the population have a 7 per cent share of total income, while the richest 20 per cent have a 43 per cent share (DWP, 2009a). Such inequality raises fundamental questions about fairness and justice in the UK. Although it is difficult to produce evidence about causality, economic inequality – the degree of disparity in a society rather than the extent of absolute poverty – has been associated with poorer health and lower life expectancy, increased crime and a breakdown in social order, and other disadvantageous outcomes (see, for example, Orton and Rowlingson’s (2007) review).

Compared with poverty, economic inequality is not a term used frequently in New Labour’s social policy – indeed, the Government has no policy on economic inequality as such. Certainly, as mentioned above, New Labour from its inception has been anxious to distance itself from old Labour’s stance on redistribution and addressing inequality in relation to those at the top of the income distribution. Recently, however, concern over increasing economic inequality has prompted the Government to set up the National Equality Panel to review the causes of inequality. The Panel is not due to report to ministers until the end of 2009, but the briefing paper about its role states the Government’s intention to address inequality by increasing employment rates among disadvantaged groups and improving education for children in low-income and disadvantaged backgrounds (Government Equalities Office, 2008).

Over the course of its administration until now however, the closest the Government has come to addressing economic inequality is in terms of social mobility. Here, social policy has constructed the problem in terms of “life chances not outcomes” (Hills *et al.*, 2009, p. 13) and “equality of opportunities, as opposed to incomes” (Sefton and Sutherland, 2005, p. 233). Opportunity for All is the title given to the Government’s annual review of policies for addressing poverty and social exclusion. In introducing the recent white paper on social mobility, Gordon Brown reiterates the focus on “not just social protection but real opportunity for everyone to make the most of their potential” (Cabinet Office, 2009b, p. 1).

So how has social mobility fared under New Labour? We do not know. Analysis of social mobility involves understanding change across individuals’ life course based on birth cohort data (surveys undertaken at intervals of several years). For example, currently, the most up to date research in the area uses the 1999 wave of the British Cohort Survey. This shows that intergenerational mobility (change in status between parents and children) declined between the 1958 and 1970 birth cohorts and levelled off between 1970 and 2000 (Blanden and Machin, 2008). This, of course, does not reflect any change during the New Labour administration. It is the same story with evidence about intragenerational mobility (social mobility across a person’s own life course from childhood through adulthood). Year-on-year longitudinal data suggest significant income immobility in the relative short term: as mentioned above, income mobility

tends to be short range, and incomes at the extremes of the income distribution tend to be persistent. For example, “nearly 40 per cent of those in the top and bottom income quintiles in 1991 remained there for eight years or more up to 2005, compared to just 16 per cent of individuals in the middle income group” (Institute for Public Policy Research, 2008, p. 9). However, these year-on-year observations do not constitute findings about intragenerational mobility and we cannot see how policy over the last decade has and will continue to affect the life chances of the current generation.

Nevertheless, one finding arising from birth cohort survey analysis has become the focus of considerable attention in discussion about social mobility and social policy. Evidence leading up to 2000 shows that the relationship between income and educational attainment has become stronger. *Irrespective of ability*, children from poorer families are less likely to achieve as high qualifications as those from richer families, and this relationship between income and attainment has become more entrenched for children born in 1970 compared with those born in 1958 (Blanden and Machin, 2004). This finding is given notable prominence in a number of recent Government papers: for example, the briefing paper about the National Equality Paper (Government Equalities Office, 2008), the social mobility white paper (Cabinet Office, 2009b) and the report on fair access to the professions (Cabinet Office, 2009a). What this finding has reinforced – and perhaps even why it is so widely referenced in recent Government discussions – is New Labour’s stance towards education as the key means for addressing inequality.

From the start, the dominant idea for improving opportunity across the life course has been education: “learning, career progression and social mobility go hand in hand” (DWP, 2006, p. 29). This has been operationalised through an extensive programme of education reform, from pre-school provision and the creation of the Sure Start programme, through major reform of schools and a doubling of funding per pupil since 1997 (Cabinet Office, 2009b), to expansion in higher education. As a result, overall levels of attainment have improved, with greatest gains in schools serving poorer pupils. However, there is still a strong link between disadvantage and achievement, and the number of young people not in employment, education or training has reached nearly one million, as much as it has ever been during New Labour’s administration (DCSF, 2009a, b).

In terms of future policy for addressing economic inequality, it is mainly “more of the same”. The white paper on social mobility discussed plans for supporting families (e.g. flexible working) and continuing the regeneration of deprived communities, but the emphasis remains squarely on education: pre-school care and education; raising education standards in schools and removing barriers to learning; promoting apprenticeships, education and training for young people; and raising the skills levels of adults (Cabinet Office, 2009b).

Education: the cure all for poverty and inequality?

There is no argument that education is vital for avoiding poverty, improving career prospects and achieving equality of opportunity. What is concerning however is that education has become the lone idea on which social policy is pinning its hopes, a “cure-all” for poverty and economic inequality. Education is important but perhaps the expectations placed on it in current policy are too great.

There are a number of reasons to be cautious about overstating the potential of education. A decade of high investment and major reform in education has brought relatively modest returns. As a consequence of the recession and its aftermath, it is unlikely that funding will increase and, despite Government assurances, it may not be

maintained at current levels. Even if current plans for education and training are followed through, it is unlikely that these alone will eradicate child poverty. Dickerson and Lindley (2008) have modelled how the poverty rate will change as a consequence of the increase in school attainment and skills training anticipated by the Leitch Review by 2020. They found that – even in the best case scenario and, crucially, if low-income households achieve a proportionate share of the upskilling – the rise in skills levels would reduce child poverty by five per cent. While significant, this represents only about a third of the 17 percentage point reduction required to eradicate poverty (Dickerson and Lindley, 2008).

Moreover, the reliance on education is fostered by a questionable rationale at the heart of developing social mobility policy about the role and nature of the future labour market. This rationale is that the way to improve social mobility is by “positioning the UK to benefit from more and better job opportunities in the global economy” (Cabinet Office, 2008, p. 41). The understanding is that education and skills will serve to position the UK economy at the high end of the global economy (Cabinet Office, 2009b). Subsequently, “changing lifestyles and rising expectations are likely to increase domestic demand for high-quality professional and personalised goods and services” (Cabinet Office, 2008, p. 57).

The assumption here is that education will equip individuals with equal opportunity so that everyone will have the same chance to have a bite of the apple. Yet, there is by definition in this rationale a bias towards the high end of the skills market. Indeed, it is significant that the first inquiry arising from the social mobility white paper was the review of access to professions (Cabinet Office, 2009a) rather than, for example, a review of routes out of low pay.

It is further assumed that the retail and services workforce would benefit from the increasing living standards of those, in turn, benefiting from the high end global skills market. Without consideration of how the future labour market will manage economic inequality between the global professionals and the domestic service workforce, this rationale appears rather reminiscent of the notion of wealth “trickle down” associated with old Tory social policy.

One issue in particular which is not addressed by this rationale is the nature of change in the shape of the labour market. Since the mid-1970s, there has been a “hollowing out” of the distribution of jobs in the UK, an increase in both low-paid service sector work and high paid professions, and a decrease in mid-range occupations (such as skilled manufacturing) (Goos and Manning, 2003). An implication of this is that, for those entering at the bottom of the skills spectrum, the role of education in enabling their progression in work will only be effective to a point. In some sectors of the workforce, opportunities for significant progression will be limited if at all achievable. Left to labour market forces, the polarisation of the job distribution will serve to constrain mobility, irrespective of individuals’ qualifications.

Where do we go from here?

Comparing current applied social policy in relation to poverty and economic inequality suggests that a focus on education has been pursued as the cure-all to break the impasse in eradicating child poverty and increasing social mobility. In terms of poverty, increasing employment rates and providing support through benefits and tax credits continue as the main policies. However, the Government’s recent acknowledgement that progress in reducing poverty is unlikely without improving job retention and progression has led to an increased policy focus on education and

training. Policies for addressing economic inequality and social mobility continue to focus on equality of opportunity (rather than equality of outcomes) delivered through education.

Education is vital but too much expectation has been placed on education as the clinching factor in eradicating poverty and tacking economic inequality. This paper comes at a time when challenges facing social policy have never been greater. Despite years of reform and investment, almost a third of children live in poverty and economic inequality is at a record high. In the aftermath of recession, it is likely that levels of investment will reduce and will not return for the foreseeable future to the levels we have seen during the last decade (Hills *et al.*, 2009). In this context, it seems dangerous to set so much trust solely in the potential of education. Instead, this is a time for considering “bold” new ideas, even those which are at risk of being deemed “unrealistic” in the present political and economic culture (Kenway, 2008).

I have suggested in this paper that the over-reliance on education and the fragility of education as a cure – all arguably represent the limits of a social policy underpinned by the notion of individualisation. To read the causes for and solutions to inequality and disadvantage as individualised ones – matters of individual skills, aspirations and personal responsibility – is to “blame the victim” and to disengage from the wider, complex dynamics of today’s society. A notable absence in debates about the applied social policy agenda during New Labour’s administration is any critical assessment of how the nature of the flexible labour market confounds income mobility and equality. The fact that, for example, the flexibility of the market demands the kind of cheap, disposable labour which triggers low-pay-no-pay cycles is not a point discussed in the developing social mobility policy. In the current climate however, the assumption of the flexible labour market as a benign, immutable presence cannot continue to be accepted so uncritically by the Government if significant advances are to be made in social policy.

What might these advances look like? Even without brand new strategies, there are a range of options open to policy, which are fairly well known. By way of illustration, some of these options can be briefly outlined here in terms of two general approaches (not mutually exclusive). Both of these – in principle – tackle the poverty associated with low-pay-no-pay cycles, and address economic inequality through better redistribution. First, policy and provision could be developed in such a way that recognises and tries to take account of the nature of the flexible labour market but does not attempt to intervene in it. This could include raising the tax threshold for workers on low pay, so that substantially more low earners would be exempt from paying income tax. It would also need to include strategies to smooth transitions into and out of work both by improving the responsiveness of the tax and benefits system to changes in individuals’ employment status, and by increasing benefit levels for unemployed workers.

The second general approach would involve greater intervention in the labour market. The obvious and more familiar intervention here would be to increase the national minimum wage (NMW). The NMW was introduced in the UK by New Labour in 1999. Although this represented an uncharacteristic attempt by the Government at redistribution, it has not had a major impact in this regard. Because of the low level at which it has been set (and because of tax changes) it is estimated that the NMW only directly affects up to 7 per cent of workers (Dickens and Manning, 2004). Indeed, according to minimum income standard research, a single earner in a couple person household with two children, and without childcare costs, would need to earn more

than double the minimum wage rate in order to obtain a minimum, socially acceptable standard of living (Hirsch *et al.*, 2009). Other interventions under this broad approach could range from enhanced employment rights – designed to improve terms and conditions particularly for those in insecure or temporary, low-paid jobs – to more radical options such as job creation.

These options may not necessarily be the way forward and indeed the efficacy of each option mentioned here can be contested. Even though these approaches would not be a total solution to poverty and inequality because they focus on the “economically active” and not those out of the labour market – pensioners, disabled people and carers are often most at risk. However, the overview is offered to illustrate the fact that, beyond an individualisation-driven policy agenda, there is no shortage of ideas for revitalising current applied social policy. Key to this broader vision is the need for policy-makers to ask not just what people need to do to accommodate the future global labour market, but what can and should the market do to accommodate people.

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