



# POPULATION POLITICS

MIKE DIXON AND JULIA MARGO

ippr

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*We have been able to increase fertility rates ... This is important for economic development. And it is something we are proud of.*

Swedish Social Minister Berit Andnor, 2005

*Demography is a very great source of vitality for France.*

French Transport and Development Minister Gilles de Robien, 2005

*Every year we fail to tackle the declining fertility rate is a precious year wasted so far as future generations and the economic welfare of the country are concerned ... Whatever we do, it will take at least a generation to turn the figures around. But we should acknowledge this is an important issue and start to discuss it now.*

Australian Federal Minister for Ageing Kevin Andrews, 2002

*The challenge is now to counter demographic change ... [Scotland's] hopes and aspirations will not be met if our devolved government does not act to counter what I believe to be the greatest threat to Scotland's future prosperity. Population decline is really serious.*

Scottish First Minister Jack McConnell, 2004

*This is not 'breed our way' to economic success. This is a very British work and families bill and a very British approach.*

UK Trade and Industry Secretary Alan Johnson, responding to questions about whether the Work and Families Bill would increase fertility, 2005





# Introduction

Population policies have a bad press. Although governments worldwide have pursued policies aiming to alter demographic trends, 'population policy' has become synonymous in Britain with sinister notions of enforced abortions and one-child restrictions in China. This is a shame. At their best population policies are a means for governments to pre-empt demographic challenges and respond coherently, and can be as innocuous as providing better childcare with an explicit, if not primary, aim of raising fertility. But should altering demography be a political concern at all?

This question is increasingly significant in Britain. After the failures of corporatism and the anti-state rhetoric of Thatcherism the public remains hostile towards government intervention in private lives and the Labour Government is reluctant to pursue an explicit population policy, which might be perceived as bringing us closer to a 'nanny state'. Such reticence is a British tradition: despite academic and international obsession with the notion, population policy has never taken serious hold in the modern British welfare state. Yet the question of whether we should adopt an official population policy is becoming a critical one.

Interest in charting demographic trends continues – evidenced by the decision to move responsibility for producing population statistics from the Government Actuary's Department to a new Centre for Demography (ONS 2005). But Britain stands increasingly alone in its disinclination to react formally to trends; for example, we are now in a small and rapidly shrinking majority of OECD countries whose governments do not favour intervention to counter low fertility (d'Addio and d'Ercole 2005).

Although it remains a key focus of academics and demographers, in Britain, raising fertility is not on any party's political agenda. Moreover a host of official publications insist that a rise in fertility would in any case make no difference to dependency ratios for 50 years (Pensions Commission 2004).

While the Government is increasingly aware of the consequences of increased longevity, it has gone no further than exploring social policy responses to ameliorate the negative outcomes of an ageing society (such as reforms to counter a pensions shortfall) or to exploit the positive potential of this new demographic, for example by providing older people with opportunities to re-train.

British ministers may be concerned with the consequences of migration, yet seldom do they acknowledge the complex relationship between international migration and an ageing society. And despite a burgeoning media

fascination with the rise in solo living, the Government has stopped short of framing it as a development with profound consequences for society.

Several countries including France, Estonia and Singapore have adopted demographic targets or aspirations in response to their ageing populations (Grant *et al* 2004). Australia has a pro-immigration and pro-natalist policy, while in Japan the state sponsors dating agencies to encourage family formation (Financial Times 2005). Sweden and the Nordic countries have a long history of social policies aimed explicitly at facilitating childrearing, arising out of a political culture which demonstrates a long-running consensus that the state has an important responsibility to enable people to balance their public, economic and private lives. So why are these governments more engaged with demographic change than Britain?

In some countries, pro-natalism is a response to existential angst over national identity: France has a customary concern with populating *La République*. Elsewhere, geopolitical and economic considerations drive attention to both the mix and magnitude of the population, a response typical of net immigration countries such as Australia and Canada. And most advanced economies are wrestling with the consequences of ageing for the funding of public services, especially Italy and Japan, two countries that are suffering earliest from the effects of an ageing population.

In the UK, these concerns are not so pressing. The latest projections predict our population of 60 million people will increase by five million over the next 20 years, or nine million over the next 50: small increases in the historical perspective – Britain's population has nearly doubled since 1900. And our fertility rate remains relatively high by international standards. In fact compared with most of Europe, Britain's demography looks positively rosy. Its emerging 'Anglo-social' welfare state may be helping to maintain relatively high birth rates by facilitating women's participation in the labour market and providing a degree of state-funded childcare (Dixon and Pearce 2005). Rather than placing pressure on natural resources, sustained net immigration injects younger workers into the labour market. And the sustainability of our state pensions system is not a pressing issue when compared with the problems faced by Italy and elsewhere.

The international comparison has made British politicians and policy-makers relatively sanguine about demographic change. But are we right to assume demographic change to be so innocuous?

The evidence and argument presented in this report confirms that we are not. Current debate has missed the far-reaching and profound implications of some current trends. Chapter 1 shows that Britain in 2006 is at a demographic fork in the road: fertility patterns over the next 20 years will determine our demographic future for the next 50 and beyond. If fertility stays at its current level – or falls further – the UK would face similar problems to Italy and Japan as soon as 2030. The view over the approaching horizon

would be one of rapidly increasing pressure on state spending, potentially exceeding 2.7 per cent of GDP (see Appendix 1). But Britain, like Italy and Japan today, would be too far down a dangerous demographic path to turn back easily. Predicting the demographic future is a risky business, particularly so far in advance. But the analysis in chapter 1, which sees demography in path-dependent terms, showing the direction in which demographic roads lead and how hard it is to change course, should give even conservatives pause for thought.

It is likely that we have underestimated the salience of Britain's demography for state spending commitments. But have we also underestimated its importance for policy priorities?

A central argument of this report is that progressives have failed to grasp why demography matters for social justice. Not only do we now know that population size – once the key concern of policymakers – is much less important for environmental sustainability than how and where people live, but an emerging body of evidence from across the globe shows that diverse demographic trends have severely exacerbated poverty and inequality over the past few decades and will continue to do so in the near future (Daly and Valletta 2004, Johnson and Wilkins 2003, Brandolini and D'Alessio 2001).

ipp's original analysis reveals for the first time how large the impact of these trends may have been in Britain. Our econometric modelling shows that it is likely that a substantial proportion of the rise in inequality between 1979 and 2003/04 was due to demographic change – changes in household composition, fertility patterns and population ageing – trends that are projected to continue. It also reveals that if Britain had had the same pattern of household composition in 2003/04 as it did in 1979, it is likely that there would be several hundred thousand fewer pensioners in poverty and tens of thousands fewer children in poverty (other factors remaining unchanged). The exact figures are detailed in chapter 1 and our methodology is outlined in Appendix 2.

It is likely that demographic change is one crucially unacknowledged factor that may have prevented the Labour Government from reducing inequality between 1996/97 and 2003/04.

Of course, many of the societal changes that have caused these demographic shifts are to be welcomed: we should not wish a return to the Britain of the early 1980s when, for example, women faced worse job prospects and greater difficulty in managing their work/life balance. And there is a complex interplay between demography, labour markets, welfare state structures and culture that refracts the effects of demography in ways not captured by our analysis. But the simple point remains: demography matters for poverty and inequality. So which trends have been most important?

Two key contributors have been changing patterns of fertility and household composition. Chapters 4 and 5 look at these in detail, drawing out the challenges they raise and the implications for policy. We argue that unless government can find a way to respond to these trends in a progressive way, they will lead to substantial challenges to social justice: higher child poverty, increased future care needs, fundamentally altered housing requirements and intensified environmental problems.

It is clear that government should want to respond to these developments. But does it have a mandate to do so – would an explicit policy approach to demography be popular, or would it lead to accusations of undue interference with private family life?

In October 2005, two events occurred which shifted the contours of debate around demographic change. The first was an announcement by the French Government that middle-class French mothers would be offered cash incentives to have a third child. This sparked debate in the British press about whether the Government should do more to enable women financially to have more children (Sunday Times 2005). And in the same month, the Government's Work and Families Bill (DTI 2005) – the apex of a range of reforms affecting parental leave, childcare provision and the cost of children – induced accusations from some quarters that the Government may be introducing population policy through the back door (Financial Times 2005).

These questions seemed to resonate with a British public that is becoming more interested in demographic change, more uncertain about its repercussions and more personally involved: hundreds of thousands of people are finding it impossible to have the families they desired and to live in the households they wanted to. IPPR's research, presented in chapters 4 and 5, shows that people's 'demographic aspirations' are increasingly not being met: there is a large 'baby gap' between the number of children people want early in their lives and the number they end up having, and it appears that a significant proportion of people living alone are doing so not by choice but as a 'least worst' option; and too many never find a way out. Worryingly, it seems that current policies may be partly responsible.

Despite rising public, academic and media concern, government has continued to sidestep the demographic debate. As we argue in chapters 2 and 3, this strategy has effectively tied its hands behind its back: government's inability to talk convincingly about demography has had some serious repercussions for its ability to lead public opinion in a progressive way. Headlines repeatedly highlight fears about childless women and changes in household structure – but with a lack of informed analysis of the implications.

This effect is clearest in terms of the migration debate. Opinion polls show that public attitudes towards immigration have become less and less tolerant over the last decade as the issue has become a simplistic wrangle about overall numbers, rather than a mature discussion about the benefits

migration can bring to the country and the interaction between levels of migration and other demographic trends. British citizens are still markedly more hostile towards immigration than those of other countries, despite official attempts to highlight the many socioeconomic advantages migrants bring (Lewis 2005).

We need to find a way to lead public and political debate around demographic issues, giving government the space to respond to people's real desires and frustrations, to respond to the pressing challenges current trends are creating, and to counter fears that an explicit approach means either a Chinese-style one-child policy to manage population growth, or regressive French-style tax incentives to encourage it. As Farrant and Sriskandarajah argue in chapter 6, this would enable us to move beyond an anachronistic obsession with numbers in the migration debate, to a more sophisticated, nuanced and effective analysis.

This report sets out the reasons why government should act. It examines international evidence of what policies and reforms work, and outlines a political strategy (in chapter 3) that would enable government to take an effective lead in responding to demographic change in a popular and progressive way.

In many ways this report is a scoping exercise. We have chosen to leave many demographic trends untouched, focusing on developments in fertility, solo living and migration, and within these areas we have tried to focus on new and emerging issues. Our primary aim is not to suggest incremental policy solutions, although our recommendations are made where relevant. Nor do we provide a cost/benefit analysis of policy reforms that could shift demographic trends and thereby influence fiscal sustainability, levels of poverty, inequality and other measures; at this stage such detailed assessment would be inappropriate. Rather we hope that our research and analysis will inject fresh thinking into demographic debate and provide government with the political tools necessary to tackle trends that threaten to undermine the pursuit of social justice in Britain – and to do so in the right way.

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# 1 Demographic pressures

with Howard Reed

Every hour life expectancy in Britain rises by another 16 minutes.<sup>1</sup> As Professor Tom Kirkwood notes, this sustained increase in longevity is ‘the greatest triumph that our species has achieved’ (Kirkwood 2001: 5). A child born in 2006 can expect to live more than twice as long as his or her ancestor born at the beginning of the 19th century, when the average life lasted just 40 years (GAD 2005, Hicks and Allen 1999).

Although increased life expectancy has been the most dramatic demographic shift of the last two centuries, the way we live and the structure of society have also altered radically, even in the past few decades. Across the developed world, fertility is the lowest it has ever been, marriage rates have stalled or started a long decline, levels of emigration and immigration continue to rise and growing numbers of people live in ever more diverse households and families.

These trends have not gone unnoticed. A mass of research, comment and polemic has been produced since the 1960s, warning variously of cataclysmic overpopulation, unsustainable growth and famine (Ehrlich 1971), underpopulation and spiralling dependency ratios (UN 2000), the decline of the family and moral collapse (O’Neill 2002), the evolution of the family and moral progress (Harper 2003), a political clash between generations (Van Parijs 1998), declining innovation (Schieber 2003) and shifting global power (Deutschebank 2002).

Such concerns are familiar across much of Europe; yet they have been considered less pressing in the UK, where the population appears to be ageing more slowly. It is well known in British policy circles that raising or lowering the fertility rate would probably make almost no difference to dependency ratios or public spending up to 2050 (Pensions Commission 2004). This perhaps explains why the Government appears sanguine about demographic change in the UK. Yet new extended analysis by ippr reported on pages 24-25 reveals a very different picture: current fertility trends will have an enormous impact, which will be felt beyond 2050.

Britain is now at a demographic fork in the road: higher fertility would dramatically reduce pressure on public spending beyond 2050, and lower fertility would be close to disastrous. Our findings present a challenge to a progressive government: politicians must decide today whether they are prepared to act to safeguard the demographic legacy for future generations.

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1 Between 1981 and 2004 life expectancy at birth for men rose by six years from 70.9 to 76.9. For women, life expectancy rose from 76.9 to 81.1 in the same period – equivalent to 11 minutes an hour (GAD 2005).

Yet this is only part of the demographic challenge facing the Government. An emerging body of academic research – using recently developed economic modelling techniques – shows that we have not been asking the right questions about demographic change: demography is as important for social justice as it is for long-term macroeconomic stability. Changing population trends have contributed to the huge growth in inequality and poverty seen in many countries over the past 30 years, particularly in the US and Australia.

What is more, Britain has undergone very similar demographic shifts to these countries, and similar effects have been seen: our original econometric modelling, presented at the end of this chapter, provides an estimate of just how important demography seems to have been. Changing demographic shifts have substantially contributed to rising child, pensioner and overall poverty, and exacerbated inequality between 1979 and 2004. Crucially, these trends are projected to continue, potentially creating ongoing pressure towards greater poverty and inequality in the UK. This is the new demographic challenge for progressives.

In this chapter we provide an overview of the most important demographic developments of the last 20 years and the likely shifts over the next 70, briefly drawing out some of the challenges that these will create, and dispelling some commonly held conceptions. As well as revealing that changes to the fertility rate will impact significantly on British public finances in the long term, our analysis highlights three areas – fertility, solo living and migration – in which demographic pressures towards social injustice are likely to be most pressing. We investigate these in more detail in subsequent chapters.

We start by looking at population size before examining the changing age structure of Britain and our increasing longevity. We then investigate the flipside of ageing – low fertility – followed by a look at the changing patterns of international and regional migration and the growing diversity in family structures. In the final section of this chapter we present findings from our original analysis, which reveals for the first time the impact that demographic change has had on inequality and poverty in Britain over the last two decades. It is clear that current trends will create a substantial challenge.

## Population is growing, slowly

There were just over 60 million people living in Britain in 2005. The population was bigger by 3.6 million people than in 1971 and by 2025 it will be 5.5 million bigger still if demographic trends continue as predicted.<sup>2</sup> In the

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2 Predicting demographic trends is a complex science and any projections should be read with caution. Figures quoted in this chapter are taken from ‘principal’ projections unless indicated otherwise; these are demographers’ ‘best estimates’ (GAD 2005).



even longer term, the population is projected to increase slowly to 69 million in 2051 and then increase very slightly to 71 million by 2074 – largely due to increasing life expectancy and net immigration, rather than births exceeding deaths (Summerfield and Gill 2005, GAD 2005).

But does size matter? Demographers have often thought so. In 1798 Thomas Malthus famously warned that unmediated population growth would lead inevitably to famine. And in the days of Empire, there was genuine concern that Britain's global importance would be partly determined by its population (Jackson 2003). The modern equivalent is perhaps a worry about GDP: parts of the Australian business sector have argued that economic growth will be affected if the population does not keep growing. Since national GDP is the combined output of all workers, a shrinking workforce leads to lower growth in the absence of other factors. In Italy, this has been seen as genuine threat – if Italy's current fertility trends continued for 10 generations, its population would shrink to a hundredth of the size (Chamie 2004).

None of these concerns should hold much sway in Britain. In the modern context of China and India's enormous populations, any conceivable population growth in the UK would make little difference to Britain's international standing. Global power is not as obviously dependent on population size as it may once have been: it is many years since simple population size was an important decider in military conflicts or economic weight. Similarly, productivity increases due to technology will far outstrip the effect of population on economic growth (Young 2002) – and in any case we should be concerned with GDP per head at the very least, rather than total national GDP.

But what of environmental fears? In Australia, there are strong lobbies in favour of a reduction in population: campaigners contend that natural resources, particularly water, are being depleted at an unsustainable rate and in Britain there have been worries about water shortages following hosepipe bans. Yet these concerns miss a crucial point: the most important factor for environmental sustainability is not population size *per se* but population density,<sup>3</sup> geographical distribution and housing growth. The growth in households is a much more important determinant of environmental pressures and is relatively unaffected by population size. And in any case, with timely provision of new water resources and efficiency savings even continued housing growth in the South East of England will not lead to shortages (Every and Foley 2005). Although increased population size could lead to greater traffic congestion, the challenge is to promote better land use and spatial planning – so that people have access to shops,

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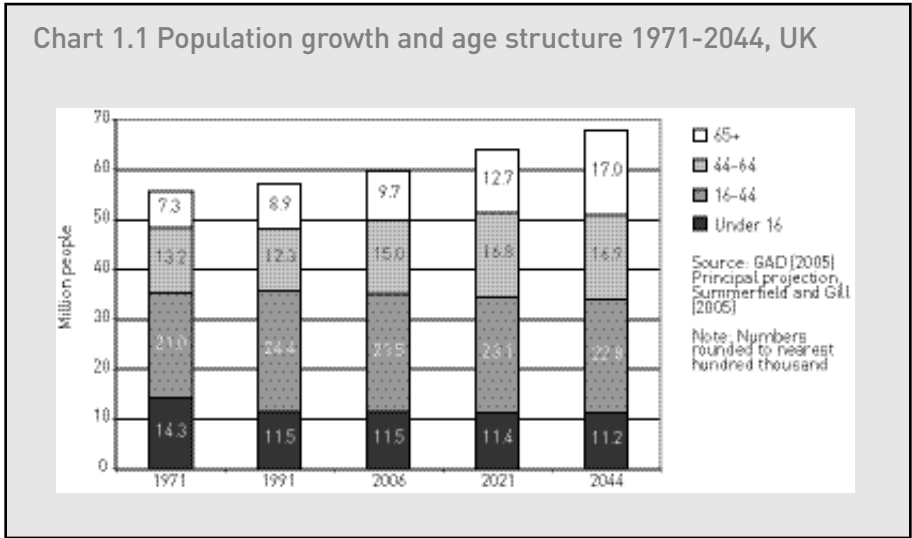
3 Britain is relatively crowded and will become more so as the population increases. Although the five north eastern states in America – New York, Pennsylvania, Connecticut, Massachusetts, and New Jersey – have an area nearly 2.5 times as large as Britain, they have a similar number of inhabitants.

services and employment opportunities closer to home (Foley *et al* 2004) – and to encourage sustainable transport solutions. Implementing a national congestion charging scheme that funded higher spending on public transport (ibid) would be a better long-term response than limiting population size.

This analysis suggests that concerns about overall population size can be put to one side by British policymakers: academics and experts should instead concentrate on the population composition and structure in the UK; it is in these more subtle facets of demographic change that the important challenges present themselves. Here we examine age structure, fertility decline, immigration, regional migration and changes in household composition, noting the key challenges arising from each of these trends.

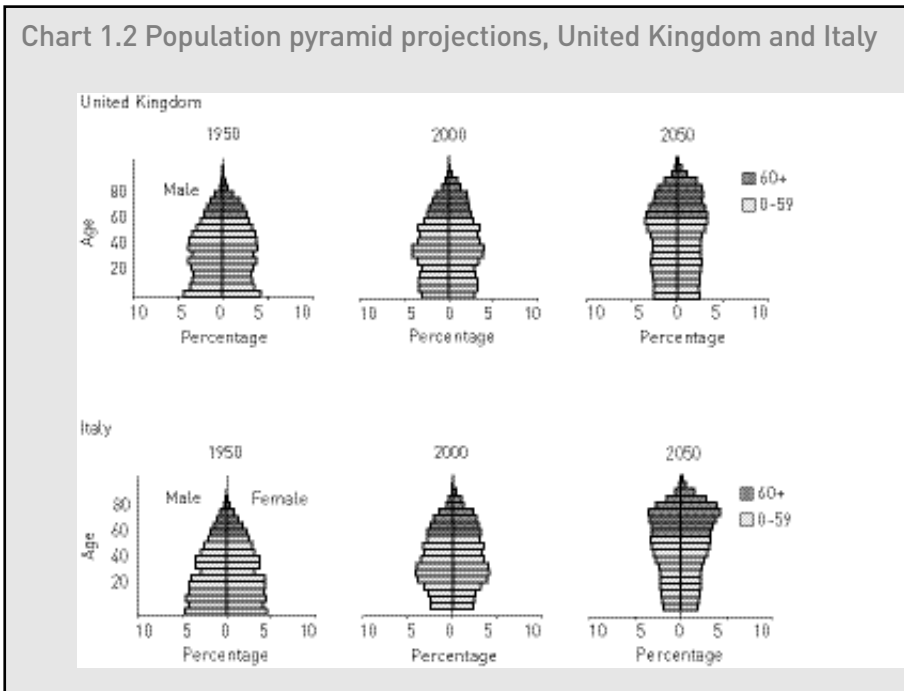
### An ageing society

Looking at the age structure in Britain is much more revealing than surveying overall numbers. Importantly, Britain is older than ever before: as chart 1.1 shows, there were 9.5 million people aged 65 or over in the UK in 2001 and this is projected to rise to 12.8 million by 2021, and to 16.7 million by 2044 – when there will be more than twice as many octogenarians (GAD 2005).



The picture is radically different to that of 30 years ago and will only become more so. In 2001 there were 21 per cent fewer children under the age of 16 and 23 per cent more people aged 65 or older than in 1971; by 2044 these figures will have spiralled to 31 per cent and 56 per cent respectively.

These shifts in the age structure are familiar and have some well rehearsed implications. The number of people of working age for every 'dependent' rose from 1.6 in 1971 to 1.8 in 2001 as the 'baby boom' generations of the late 1940s and mid 1960s entered the labour force, but it will fall to 1.4 by 2044 as these cohorts enter retirement (GAD 2005). This 'ageing of the population' is what convinces the British press that we face a 'pension crisis'. It is also what has politicians in Italy and Japan tearing their hair out in the hunt for a solution to their far more serious pension problems: in these countries the increase in dependency has been much sharper than in the UK; there were 1.61 people aged 15-59 for every person aged 0-15 or 60+ in 2000 in Italy and 1.64 in Japan, but the UN predicts that by 2050 these numbers will have plummeted to 0.86 and 0.82 respectively, compared with 1.04 in Britain. This means that there will be more dependents than those who must support them. As chart 1.2 shows, compared with Britain's relatively healthy demography, Italy's population pyramid looks worryingly top heavy by 2050.



Why did Italy and Japan not take action sooner? One reason is that politicians and demographers are reluctant to look further ahead than the next 30 years, and almost never beyond 50. In 2006, we can see that both Italy and Japan face dramatic hikes in their dependency ratios even by 2025, partly resulting from their fertility histories over the last 20 years. Had these

countries taken action at the first hint of a serious problem in the early 1980s – a full 40 years before their demographic problems become intractable and 70 years before they become almost insurmountable – they would not be in the position they find themselves in today.

This international comparison provides a backdrop against which Britain's problems appear relatively minor, which has encouraged policymakers in Britain to think that there is no need to raise fertility to combat changing dependency ratios. Further, there is some consensus that there would be no point since this would make little difference to dependency ratios in the near future. As the Treasury's long-term public finance report argues:

'Varying the fertility rate ... would obviously affect the number of children over the next 20 years or so, which could have implications for education policy; but would have a very limited impact on the size of the working-age population and no impact on the number of older people. Beyond that, the fertility rate assumption begins to affect the working-age population, in turn influencing trend growth. However, it takes more than 60 years to affect the number of people *above retirement age*.' (HM Treasury 2005: 16)

The Pensions Commission has also expressed similar views, stating in its interim report that 'any feasible pace of increase from current levels will have only a minimal impact on the size of the working population in 2040 ... though the impact would gradually increase thereafter' (Pensions Commission 2004: 8). Policy efforts are therefore being concentrated on encouraging people to save more and work longer as this will have the most impact in the short to medium term on pension funding (Brooks *et al* 2002, Robinson *et al* 2005, Pensions Commission 2005).

Importantly, this fertility rate 'non-effect' remains true across the range of government spending – not just on pensions – as more children effectively cancel out more workers: research by PricewaterhouseCoopers estimates that raising the fertility rate to 1.94 or decreasing it to 1.54 would have 'no material impact on projected public spending as a percentage of GDP in 2050' (Hawksworth 2005: 13).

This seems counterintuitive. How could growing numbers of children not make a difference to dependency ratios? The answer is that it takes at least 16 years for any increase in fertility to feed through into the labour market, and realistically far longer than this, as greater numbers of children go through the education system before entering employment. Even then, relatively small increases in the working age population need to be set against a dependency 'backlog' of many years of higher fertility and the higher child-related spending that this entails. Because demographic projections are increasingly unreliable beyond about 50 years, policy modelling has rarely looked further ahead than this. Even the excellent analysis

undertaken by the Pensions Commission only presents analysis up to 2050 (Pensions Commission 2004).

Yet in some ways this is surprising: the Government Actuary produces estimates up to 2074 and it is possible to use these to model future dependency ratios with some degree of accuracy (in January 2006 the responsibility for producing these estimates moved to the new National Statistics Centre for Demography at the ONS). Importantly, several sets of 'variant' projections are produced, with differing assumptions about fertility, life expectancy and migration. These let us model how changes in fertility rates would affect the population structure – providing plausible confines within which to make an assessment.

A cursory analysis would suggest that fertility does not make a huge difference to overall dependency ratios even up to 2074: in the absence of migration, high fertility (of 1.94) would result in 59 per cent of the population being aged 15-64, low fertility (of 1.54) would result in 56 per cent being of these ages, and current fertility<sup>4</sup> (of 1.74) would result in 58 per cent. Compared with 2006's figure of 66 per cent, the importance of fertility seems minor.

But these crude numbers hide what is really going on behind the simple maths: if fertility had been high up to 2074 then 41 per cent of those not of working age would be under 16; but if fertility had been low, just 29 per cent would be. This is important because public spending per capita is much higher for those older than working age than for those younger: in 2005/06, £15,024 was spent on the average pensioner, £9,454 on the average child and £6,469 on the average person of working age (Hawksworth 2005).

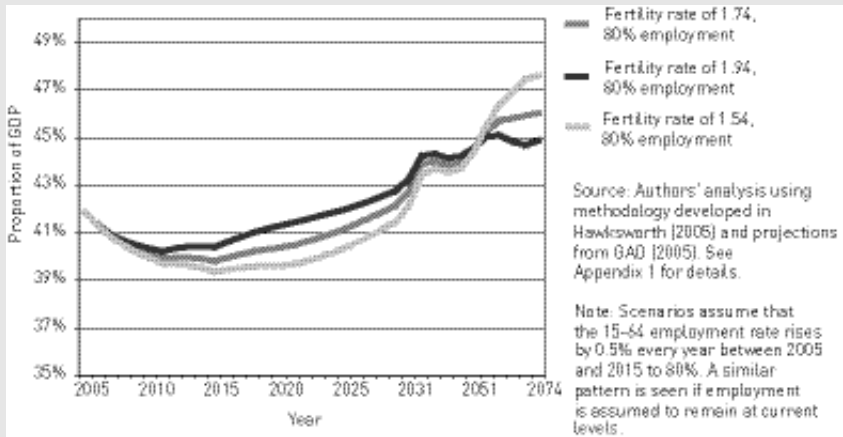
The implications of this simple difference are profound. Chart 1.3 shows the results of ippr's modelling<sup>5</sup> of demographic pressures on public spending up to 2074 under three fertility scenarios: the lightest line projects public spending as a proportion of GDP under an increased fertility rate of 1.94, the darkest line under a decline in fertility to 1.54 and the middle line under (unchanged) fertility of 1.74. The model shows what would happen to public spending as a proportion of GDP if current per capita spending changes in accordance with plausible assumptions (outlined in Appendix 1 and based on HM Treasury 2005 and Hawksworth 2005). It is not meant to be a projection or prediction of the actual level of public spending although our figures are in a similar range to those of the Treasury's *Long-term public finance report* up to 2054 – which is as far ahead as the Treasury currently reports projections (HM Treasury 2005). What our modelling shows is the *pressure* that demographic change will create. It adds to the Treasury's analysis in two important ways: it shows the effect of different fertility levels on public spending and it projects spending up to 2074.

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4 The fertility rate in 2004 was 1.78, slightly higher than the GAD estimates (ONS 2005).

5 See Appendix 1 for details.

Chart 1.3 Demographic pressure on public spending: estimated total public expenditure expressed as proportion of GDP under high, low and constant fertility scenarios



The model estimates that between 2013 and 2031 higher fertility would raise pressure on government spending by between 0.5 and 0.9 per cent of GDP as more children would not be compensated for by more people of working age; this is in keeping with findings from other research (Pensions Commission 2004). At around 2050, any fertility effects cancel out. But after this date, previous fertility trends appear to have a large and rapidly increasing impact. By 2074 the difference caused by preceding decades of low or high fertility would be as much as 2.7 per cent of GDP and appear to be rising fast.

Projecting demographic trends this far forward is a risky business, still more so when linking public spending to these projections, and it is vital to be sanguine about what the model realistically shows. Up to 2050, the assumptions behind the GDP figures are plausible 'best guesses' (Hawksworth 2005). After this they become less defensible as estimates of public spending – we need to scale down our expectations of what the model shows when looking beyond this date. But this does not mean that chart 1.3 is unrevealing: the way the lines diverge after 2050 is much less sensitive to spending assumptions than the projected GDP figures – it is this *divergence* that is crucially important. What it shows is that the fertility patterns of the next 25 years will start to bite after 2050; Britain's demographic trajectory will be firmly set by 2031.

The key point is that changing fertility patterns take around 40 years to be felt in the labour market and public spending – as larger or smaller generations pass through education and their early careers. Britain in 2006

can decide on its future: we are in a similar position to Japan or Italy, but crucially are several decades behind. If we learn one thing from the experiences of these countries, it should be to look ahead as far as possible. Britain is at a fork in the demographic road but heading in the wrong direction: if fertility remains at current levels, or declines further, we will face much more intractable demographic problems in as little as two decades' time.

#### Other challenges arising from ageing

The threat of these problems should be enough to motivate politicians and policymakers of any political persuasion to take demographic change seriously. But there are other important reasons for doing so too. One obvious implication of Britain's current rate of fertility is that if education spending were to remain constant as a proportion of GDP until 2044, spending per head would increase by two per cent in real terms as the number of children falls. Other controversial ideas are that population ageing may lead to one or both of the following occurring.

#### *A less innovative and flexible workforce*

In 2004 there were 12 per cent more people of working age below the age of 40 than above it; by 2020 this pattern will have reversed – four per cent more will be over the age of 40 than below (GAD 2005). Some commentators have argued that this older workforce could be a less innovative one, although this is a contentious point (Dixon 2003). Some research shows a link between younger workforces and higher levels of entrepreneurship (Schieber 2003), while other research shows that older, more experienced workers are more productive (Disney 1996). The novelist Kazuo Ishiguro recalls the moment he realised how young people were when they wrote their most famous works:

*'Pride and Prejudice* was written by someone in her twenties. The Faulkner anyone remembers comes from his thirties. It goes on: Fitzgerald, Kafka, Chekhov; War and Peace, Ulysses. Dickens went on a bit longer, but his best work was when he was younger' (Kazuo Ishiguro, quoted in *The Guardian* Saturday, February 19 2005).

And David Willets has argued that:

*'...an ageing European society may offer us more Cézannes [who painted his highest valued work at 67] but we will have fewer Picassos' [who painted his highest valued work at 26] – that is a grievous loss' (Willets 2003: 18).*

If these illustrations are somewhat hypothetical, a more rigorous review has shown that an ageing workforce may become less flexible as older workers are less likely to receive training, less likely to migrate to find new work and less likely to move between firms (Dixon 2003). Ageing could bring a unique set of challenges as Europe grows older faster than the US; in social justice terms, there may be differential impacts on different social groups which would introduce new hurdles for a successful progressive and inclusionary skills policy. But the key issue, as Dr Philip Taylor argued at an ippr seminar in 2005, is to design workplaces and economic and business structures that best harness the evolving talents and experience of a slowly ageing workforce.

#### *A political clash between generations*

Steadily increasing life expectancy means that a rapidly expanding proportion of the electorate is over state pension age. In 2005, 19 per cent of the electorate were over 65 years old; this is projected to rise to 30 per cent by 2044 (GAD 2005). This group is also more likely to vote (Dixon and Paxton 2005). The concern is that the interests of pensioners and the younger electorate will increasingly diverge over key areas, including early years spending, healthcare and state pension entitlements, leading to a political 'generational clash'.

These impacts of population ageing are not well understood, yet they will create significant challenges for policy. As we argue in chapter 2, one criticism of the Government's current approach to demographic issues is that it has not been able to lead debate or conduct in-depth research into these issues and their implications for policy.

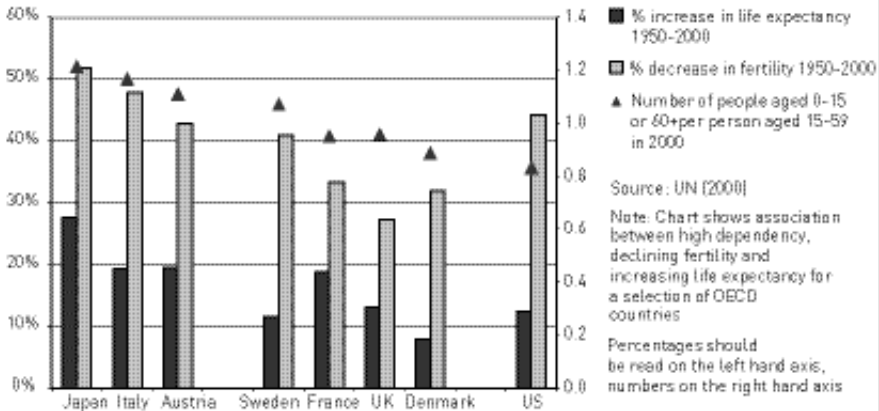
#### Explaining international differences in ageing

Although demography is important in the UK, it is clear that Britain is in a relatively good position in 2006 compared with the demographic quagmires of much of continental Europe and the Far East. But why? The answer lies largely in the history of different rates of increase in life expectancy and decline in fertility in these countries. As chart 1.4 shows, the countries with the most severe dependency problems (where the triangles are highest) are often those where life expectancy increased fast (where the black bars are largest) while fertility dropped off sharply (where the grey bars are largest) to very low levels. A more gradual decline, like that seen to date in Britain, has not been as damaging so far.

In one sense, this is good news for Britain but in another, it reveals a substantial failure. Looking at chart 1.4 in more detail shows that Japan, Italy and Austria have had faster increases in life expectancy than other countries – by as much as 28 per cent in Japan between 1950 and 2000 – as well as faster rates of decline in fertility. All three of these countries had lower life expectancy than the UK in 1950 but by 2000 both Austria and Japan had overtaken Britain, with Austria very close behind.



Chart 1.4 Dependency ratios, fertility decline and increasing life expectancy



### Longer, healthier lives?

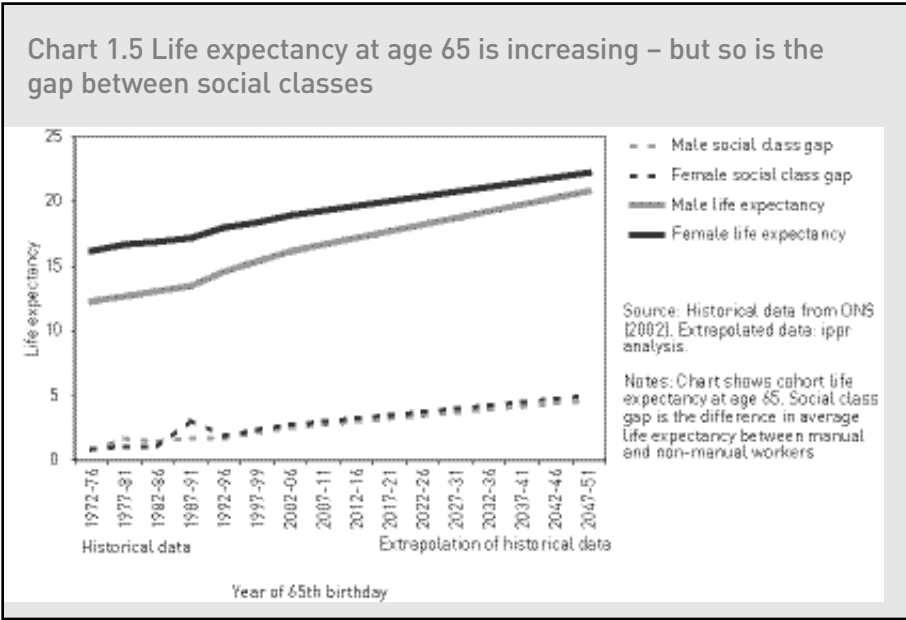
These dramatic increases in life expectancy have been observed across the more developed world over the last century. Yet original research by ippr has shown that few people in Britain really believe they will live longer than the generation before – most expect their health to decline from the age of 70, which partly explains why there has been such strong resistance to raising the state pension age (Robinson *et al* 2005).

But are people right to think that the extra years of life expectancy will be lived in ill health? There is still considerable scientific disagreement. One body of research suggests that older cohorts in many countries are experiencing a 'compression of morbidity' in which healthy life expectancy is increasing with little, if any, extension of ill health (Kirkwood 1999, 2001, Wanless 2002, Romeu Gordeau 2005). Others argue that increased life expectancy will lead to longer periods of disability (Rickaysen 2005). The evidence in the UK is mixed at best, but suggests that people will spend less time severely disabled and more time with relatively minor disabilities (Rankin 2006). This suggests that future care needs will increase significantly – that total spending on long-term care will rise by as much as 0.4 per cent of GDP by 2022 (Malley *et al* 2005). Importantly, there are significant differences between social classes here: a third of male manual workers age 50 to 59 report a limiting long-standing illness – a rate only reached by professional men in their mid 70s (Marmot *et al* 2002).

A further concern is the growing gap in life expectancy between the rich and poor. As chart 1.5 shows, life expectancy has increased faster for higher social classes than it has for lower social classes: the gap between female

manual workers and non-manual workers at age 65 increased from just under one year in 1972-6 to more than two years in 1997-99; in 2006, a woman aged 65 can expect to live for 20 years if she is a non-manual worker but just 17 if she is a manual worker – a gap of three years. And if current trends continue the trajectory they have followed since 1972, this gap will increase to around five years by 2050.

One reason for this sustained difference in life expectancy is that people in the top social class are less likely to smoke. But there are other important factors too: those in more deprived areas often have worse access to a range of services and leisure facilities, and suffer from higher levels of pollution (Dixon and Paxton 2005).

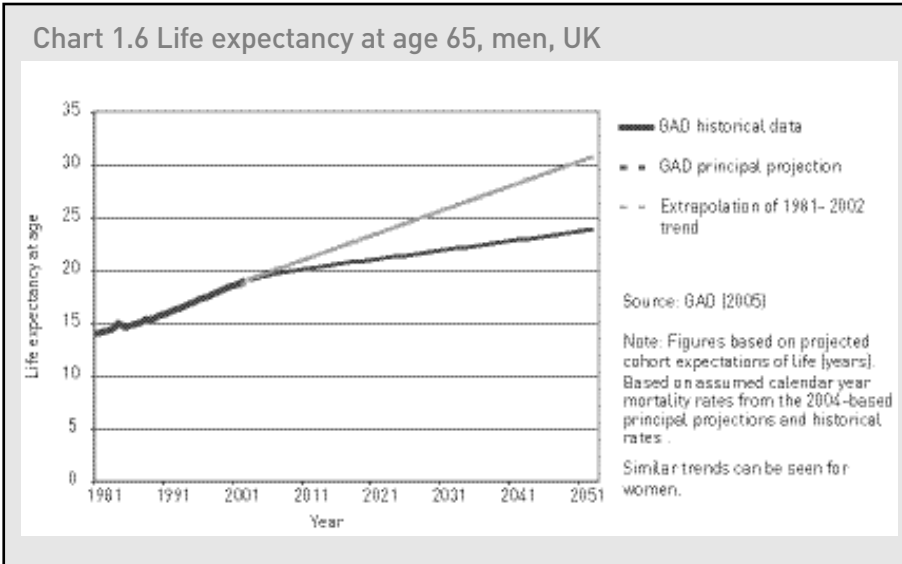


This worrying class gap in life expectancy is another reason why government has been reluctant to raise the state pension age – it could have regressive effects, shifting pensions spending away from the worst off. But this is a bullet that we should bite: raising the state pension age to 67 would enable the state pension to be set at a level that would eradicate pensioner poverty (Pearce and Paxton 2005). Without it, steadily increasing life expectancy will keep making the pensions problem ever more intractable.

In fact, the problem may be much worse than currently thought. As the interim Pensions Commission report noted, demographers have consistently underestimated future increases in life expectancy,<sup>6</sup> assuming that there is a

6 The latest projections, released since the Pension Commission's interim report, revised previous estimates upwards once more (GAD 2005).

natural limit at around the age of 85 (Pensions Commission 2004). Many theorists have questioned this assumption (for example Kirkwood 1999). As chart 1.6 shows, if life expectancy continues to increase at its current rate the Government Actuary's 2005 principal projections for people aged 65 would be wrong by more than seven years by 2054.



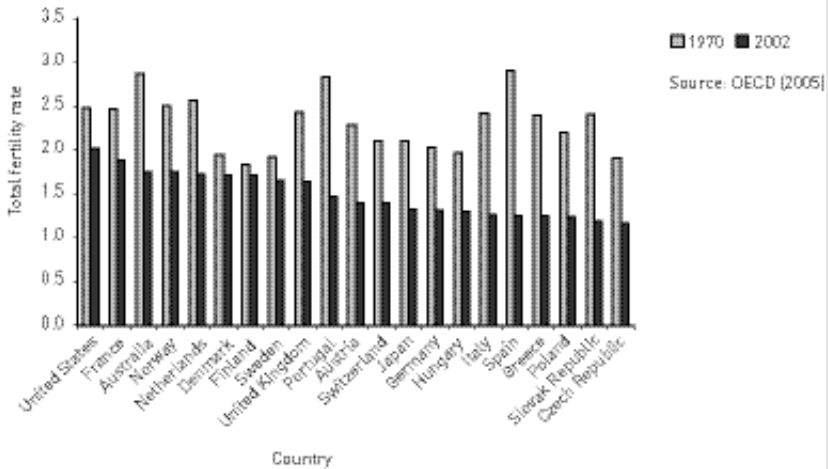
This would be an enormous discrepancy, one which would have substantial implications for government spending in a range of areas.

### Irretrievably declining fertility?

A second major contributor to Britain's changing population structure has been declining fertility. Following its peak in 1964 when the total fertility rate (TFR) – the number of children that would be born to a woman if contemporary patterns of fertility persisted through her childbearing life – was 2.95, it plummeted through the late 1960s and 1970s, and continued a steady descent until 2002 (OECD 2005). As chart 1.7 shows, this was a common pattern across OECD countries.

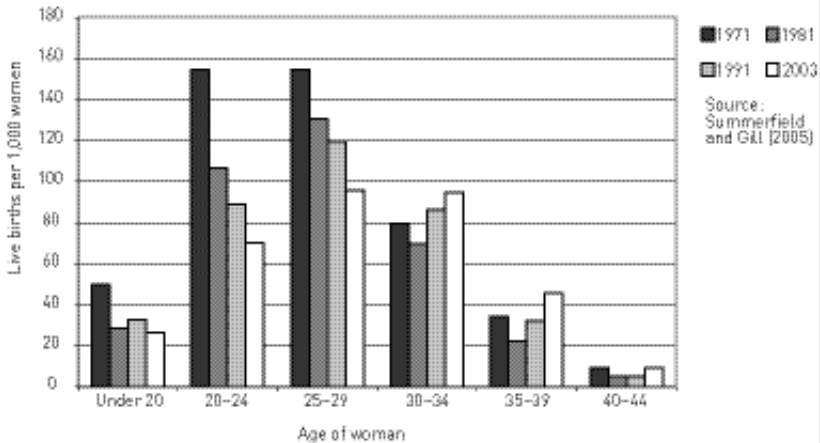
Demographers and government officials were sceptical that it would rise again. But the last four years have seen a slight turnaround in the UK, as fertility rates have appeared to start to increase (ONS 2004a). Although it is too early to tell if this is a permanent shift, the change in direction could be seen as an opportunity for government to bolster the momentum of this tentative trend.

Chart 1.7 Total fertility rate, selected OECD countries, 1970 and 2002



Looking at the changes in British fertility over the past few decades in more detail shows that there are subtly evolving patterns. Perhaps the most noticeable, as shown in chart 1.8, is that women are having children later in their lives: fertility at ages 20-24 fell by 55 per cent between 1971 and 2003, while fertility at ages 35-39 went up by 34 per cent. The issue is that falls in fertility early in life have not been made up for by increased fertility later – so overall fertility has fallen.

Chart 1.8 Fertility rates by age, 1971-2003



This postponement has contributed to the challenges caused by an ageing population highlighted above. As women start families later, they are less likely to have large families, and face higher risks of medical infertility and childlessness. But there may also be some beneficial effects. Original data analysis<sup>7</sup> by Maria Iacovou at the Institute for Social and Economic Research, University of Essex for ippr has shown that – controlling for a range of background variables – children with older parents tend to have better educational outcomes, perhaps as a result of more experienced parents – although the effects are small (Iacovou 2001, 2005).

## Immigration: a panacea for old age?

Immigration has sometimes been seen as a panacea for the problems of ageing societies. Because immigrants tend to be younger than the domestic born population and enter the labour force immediately, some commentators have seen immigrant labour as a way of offsetting dependency ratios. Research by ippr has shown that immigrants provide a modest net economic benefit to the UK (Sriskandarajah *et al* 2005) – contrary to some assumptions made by elements of the press (Lewis 2005).

But although net immigration is high by recent historical standards<sup>8</sup> it is nowhere near enough to offset increasing dependency ratios. Britain would have to receive more than one million net immigrants each year to maintain the current support ratio (UN 2000), which would be politically unpalatable. International migration should not be seen solely in terms of dependency. Although it is very relevant to wider demographic issues, it has much more complex implications – particularly in social justice terms (see chapter 6 for a detailed discussion).

One important effect will be to change Britain's ethnic composition. Between 1991 and 2001, the minority ethnic population of the UK rose from three million to 4.6 million and is expected to rise further. About half of this group are Asian or Asian British and about a quarter are black or black British (ONS 2001).

## Internal migration and geographical inequality

Migration policy often focuses on international trends. Yet there are important migration patterns within Britain. More than five million people moved between local authority areas in 2001 (ONS 2004b), shaping labour markets, housing demand, planning requirements and public service requirements. The effects of these population shifts are not well under-

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7 See Appendix 2

8 Although international migration is high in comparison with recent years it is much lower than in the pre-WWI period (Jackson 2003)

stood but there is some evidence that they may be exacerbating regional and even local inequality (Gregg *et al* 2005, Dixon and Paxton 2005).

One important trend here is that higher skilled workers are more geographically mobile than the rest of the population: people tend to secure a job in a new area first rather than moving pre-emptively. This favours high skill workers, as those with low skills are often less able to access good information on employment prospects as these are not well advertised at a national level, and may also be prohibited by high housing costs (Gregg *et al* 2005). This has resulted in some less prosperous regions, such as the North East, experiencing an ongoing 'brain drain' of graduates – affecting their economic growth and prosperity (see chapter 6).

A second challenge is the way urban communities have polarised over the last 20 years. This period has seen a 'cascade' of people moving from large conurbations to smaller cities and from smaller towns to villages. Importantly, professional and skilled workers were more likely to relocate (Champion and Fisher 2004), which has meant that many relatively deprived areas in large conurbations have experienced declining prospects, as those who are most able to move have done so, leaving those with few options with fewer still. This has resulted in growing economic and social segregation and regeneration difficulties (Esposito and Nathan 2005). However, there is some evidence that this cascade may be starting to flow uphill: the latest projections indicate that major cities are once again experiencing population growth, which may improve prospects (Champion and Fisher 2004, Esposito and Nathan 2005).

Some migration trends appear to have slowed down. For example, the shift from rural to urban areas which happened relatively rapidly over the period 1975 to 2003 appears to have almost stopped. The UN estimates that by 2015 just 1.1 per cent more of the British population will be living in urban areas than are today. This follows a trend across much of the more developed world, including the US and even Australia (UNDP 2005).

## Solo living and increasingly diverse families

The combination of these trends in life expectancy, fertility and migration has resulted in the population as whole growing by six per cent between 1971 and 2003. But changing patterns of family life have meant that the number of households grew at more than five times this rate: by 32 per cent over the same time period (Summerfield and Gill 2004). Two trends have underpinned this shift. First, increasing numbers of people live alone,<sup>9</sup> par-

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9 Solo living and living alone (in a one-person household) should not be confused with single living (defined in terms of marital status), although these terms are often used interchangeably in the media.

ticularly at young ages: just 18 per cent of households consisted of one person in 1971, compared with 29 per cent in 2004 (ibid). Second, people are living in smaller families – the average household size has decreased from 2.9 in 1971 to 2.4 in 2004. This has created serious pressure on housing supply, particularly for social housing, and there are good reasons to believe that the projected ongoing increase in solo living will also create substantial pressure towards greater poverty and inequality and bring new challenges for social justice (see chapter 5).

Changing patterns of family life have been partly caused by profound underlying shifts in marriage and cohabitation. People are marrying later and less often, and cohabiting to a far greater extent and for longer periods (Harper 2003). Between 1972 and 2004 the number of marriages fell by 36 per cent, the average age of marriage rose from 25 to 31 for men and 23 to 29 for women; and between 1986 and 2004 the proportion of men and women cohabiting more than doubled to 25 and 27 per cent respectively (Summerfield and Gill 2005). As might be expected, patterns in divorce have followed this trend, albeit 20 years behind. Divorce rates rose rapidly up to 1993 – partly explaining why the proportion of children living with a single parent tripled over the period 1972 to 2004 to 24 per cent of all children – although rates have fallen since then as the number of marriages has declined (ibid).

These changing patterns of household composition, formation and dissolution that are so evident in the UK have underpinned rising inequality and poverty seen in the US and Australia over the past two decades. Yet crucially these trends have also been seen in many other countries which have *not* experienced similar rises in inequality and poverty – suggesting that other welfare states have responded better to demographic change than these Anglophone countries.

## Inequality and demography in Britain: 1979 to 2005

The trends outlined above will create significant policy challenges, many of which we highlight in this report. The pressure current fertility rates will bring to bear on overall public spending is the most serious of these in the long term. But in the short and medium term the most important challenge is likely to be the impact of Britain's evolving demography on levels of poverty and inequality.

In the US between 1969 and 1989, demographic change – particularly the growth in non-traditional family structures – explains up to 50 per cent of the huge rise in inequality and poverty over this period. Between 1989 and 1998, the influence of demographic shifts became more pronounced, resulting in 62 per cent of the increase in inequality (Daly and Valletta 2004). Similar processes were taking place in Australia between 1982 and

1997/98 — about half of the growth in inequality over this period was due to change in household and family composition, labour force status and other demographic characteristics (Johnson and Wilkins 2003).

ippr has been able to carry out a similar analysis for Britain, revealing for the first time the extent to which shifting demography has underpinned the huge rise in inequality and poverty since 1979. Unfortunately, current methodology is not yet advanced enough to allow us to easily isolate the shifts that have been most damaging for levels of inequality and poverty – although we know that fertility patterns, rising marital homogamy and growing solo living are important (Kenworthy 2004, Esping-Andersen 2005, Gregg and Wadsworth 2004, Hills 2005). At this stage in such an emerging field, a sufficiently nuanced policy response needs to be based on a detailed investigation of ongoing and projected demographic change, taking account of the subtleties and interplay of national, regional and even local trends.

#### ippr's econometric modelling

Our econometric modelling<sup>10</sup> shows for the first time the pressure that demographic change is likely to have placed towards higher poverty and inequality in Britain over the last 25 years. Commentators have long analysed the effect of taxes and benefits (Clark and Leicester 2004), technological change (Goos and Manning 2004) or labour market developments (Dixon and Pearce 2005), but no recent analysis has looked at whether and how demographic shifts have made it harder to achieve social justice. Yet there are good intuitive reasons for thinking that it should have had this effect. Single person, older and lone parent households are all statistically more likely to be in poverty than the average. As these groups grow relative to the rest of the population, this is likely to place pressure towards greater poverty and inequality.

One enduring question is why inequality did not fall under seven years of a Labour government between 1996/7 and 2003/04, a period which saw the introduction of measures such as tax credits and the minimum wage, and employment rising to record levels (Dixon and Paxton 2005). The Gini coefficient for disposable income – an established measure of inequality – was 34 in both 1996/97 and 2003/04, compared with just 25 in 1979 (ONS

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10 See Appendix 2 for a full description of ippr's econometric modelling using the Family Resources Survey 2003/04 and the Family Expenditure Survey 1979. Essentially, this shows what the income distribution would be in 2003/04 if patterns of household composition, fertility trends and the age distribution were the same as those of 1979; this lets us see what the simple effects of changes in household composition, fertility patterns and ageing have been for poverty and inequality measures. The model does not take changes in female labour force participation or the interaction between demography and other labour market and societal factors into account and is therefore a simple measure that may significantly underestimate or overestimate the precise impact of these demographic changes.



2005b, Shephard 2003). Such persistently high inequality has been seen as a marked failure of the current government, by both the left and right wing press:

‘Widening inequalities is going to be the biggest challenge for the prime minister’ (Guardian 2004)

‘Divide between rich and poor is getting wider’ (Daily Telegraph 2004)

‘[Labour] should try and do the same for fairness and equality as it has done for public services and shift the terms of political debate’ (Financial Times 2004)

ippr’s analysis indicates that demographic change may in fact have been a crucially unacknowledged factor in continuing high levels of inequality.

Had Britain’s demography not altered as it did, it is likely that inequality would have fallen under the Labour Government over this period, although it is important to bear in mind the complex interplay between demographic trends and the interaction between these trends and other changes to the labour market, welfare system and society. Our modelling shows that a fifth of the enormous rise in the Gini coefficient between 1979 and 2003/04 was due to changes in household composition – particularly the growth in single person households, and ageing and shifting fertility patterns; all trends that are projected to continue over the coming decades.

It also reveals that if Britain had had the same household composition, fertility patterns and age structure in 2003/04 as it did in 1979, there would be 240,000 fewer households in poverty,<sup>11</sup> 280,000 fewer pensioners in poverty and 70,000 fewer children in poverty (with other factors remaining equal).

This analysis starts to show how important demography is for social justice. Of course, many of the societal changes that have caused these demographic shifts are to be welcomed: we should not wish a return to the Britain of nearly three decades ago. And there is a complex interplay between demography, labour markets and culture that refracts the effects of demography in ways not captured by our analysis. But the simple point remains: demography matters for poverty and inequality.

The next chapters outline a progressive response to this new perspective: if demographic change is a social justice issue, what is the role of a progressive government in mitigating its negative effects?

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11 Poverty rates measured before housing costs on a 60 per cent of median equivalised income measure and reported to the nearest 10,000.

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## 2 The role of governments

The size and characteristics of human populations have long interested governments and rulers of every kind. From ancient Egyptian pharaohs and Roman senators to latter day dictators and European monarchs, attempts to influence demography span centuries and continents. There are even accounts of census taking in the Biblical books of Exodus and Mark. But what is the role of a modern-day progressive government in this domain?

This chapter briefly examines the activities of governments across the world in their attempts to influence demography. The remaining sections analyse the current British Government's demographic approach and explore the state of demographic policy and debate in Britain today. Although a sophisticated analysis of current policy is not undertaken here, we argue that the current policy approach is effectively an 'indirect' population policy – that government action is affecting demographic trends in unacknowledged ways – and that this may have had a range of negative consequences for the effectiveness of policy and the pursuit of progressive politics.

### The international context

Until the latter half of the 20th century, academics would often note the surprising absence of policy responses from governments across the more developed world around low fertility and demographic change, but within academic circles low fertility has been an age-old concern (Caldwell *et al* 2002). This official apathy was partly due to the post-Second World War baby boom, but fears about population decline have begun to re-emerge in the last few decades (Grant *et al*, 2004: 7).

Recently many different governments have started to take a bolder approach to demography although not all have been concerned about low fertility and population decline. Many less developed countries including China, India, Pakistan, Sri Lanka and Tanzania are concerned with *controlling* population growth. As their populations grow, officials stress issues of environmental sustainability, unemployment and pressure on resources (e.g. Caldwell *et al* 2002). Although several countries have experimented with ways to control population growth, one of the most extreme measures has been China's infamous one-child policy. Couples were offered a contract that granted them and their child economic and educational advantages in return for promising not to have more than one child. Those who did not sign the one-child contract were financially punished, and in some

cases the policy led to forced abortions and infanticides (Tien *et al* 1992:11), practices that reportedly continue to this day.

Although concerns about pressures on resources have been voiced by governments of some more developed countries, especially those that experience 'high' levels of migration such as Australia and Spain (Grant *et al* 2004), as the last chapter demonstrated, such issues should not concern British policy-makers. Immigration is not at a level high enough to maintain the size of the population in the long term, let alone expand it (UN 2000).

Governments of the more advanced economies, if they are concerned about demographic issues at all, tend to worry about the opposing problem of population decline, and the reasons for this concern are often framed in macroeconomic terms. Recent reports have frequently expressed worries about dependency ratios and the consequences of ageing for the funding of public services (e.g. Grant *et al* 2004 and UN 2004). In some developed countries, pro-natalism is a response to existential angst over national identity. France, for example, has a long history of concern with populating *La République*. Elsewhere, geopolitical and economic considerations drive attention to both the mix and magnitude of the population, a response typical of net immigration countries such as Australia, where politicians stress the importance of planning social policies around demography and strengthening the regions (Crean 2003). Yet relatively few of these governments have thought about the implications of demographic change for choice, fairness and equality.

Charts 2.1. and 2.2 show the marked change in government attitudes since 1976. Britain is now in a minority of OECD countries whose governments officially claim not to be concerned about low fertility and a rapidly shrinking majority of those that do not favour intervention to raise it (UN 2004).<sup>12</sup> We will explore the reasons for this later.<sup>13</sup>

Comparing the charts shows that the shift towards intervention to 'correct' low fertility has followed only a few years behind heightened official concerns about the birth rate. From 1986 onwards governments' satisfaction with the fertility rate began a sharp decline. As satisfaction declines still further and concern about low fertility escalates, in the coming decades it is likely that more and more countries will inch towards intervention (Caldwell *et al* 2002).

The scope and variety of demographic policies pursued by different governments provide a healthy resource for British policymakers interested in how demography can be tackled. Several countries, including Estonia, and

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12 This group includes Australia, Belgium, Canada, Denmark, Finland, Iceland, Ireland, Netherlands, New Zealand, Sweden and the United States. Mexico and Turkey regard their fertility rate as 'too high'.

13 Governments were asked whether they considered the fertility rate in their country to be 'satisfactory', 'too high' or 'too low'

Chart 2.1 International governments' views about fertility levels

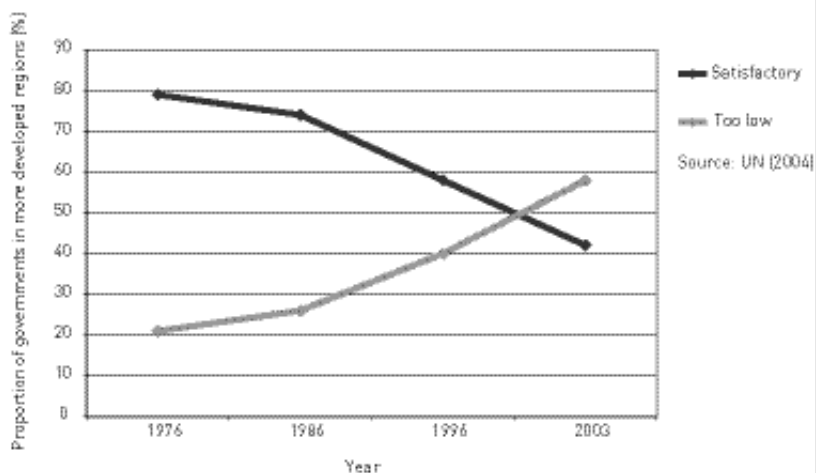
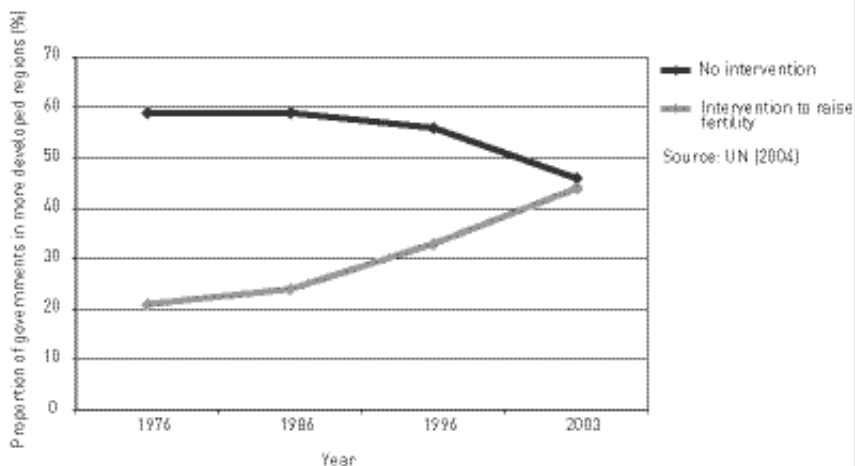


Chart 2.2 International governments' policy responses to fertility levels



Japan, have adopted specific demographic targets or aspirations, collectively known as 'family policy' or 'population policy', which are used to inform policy development, particularly in the areas of migration, skills policy and pensions. Australia already has a pro-immigration and pro-natalist policy and the Population Summit of Australia is currently debating the adoption of a fully-fledged population policy (Vizard, Martin and Watts 2003). The National Population Council (NPC) defines population policy as one whereby:



‘Government seeks to anticipate and respond to population trends and prospects in the light of their impacts and anticipates impacts of public policy on population trends themselves. It also directly seeks to influence the determinants of population in order to deliberately alter the size and/or nature of the population.’ (NPC 1991: 3)

Different governments perceive their role in demography in contrasting ways, and this is reflected in the style of intervention pursued in different countries. The French Government hit the headlines in the UK recently when it announced that it was to offer cash incentives to middle-class mothers to have a third child (Sunday Times 2005). This initiative follows more than a century of population policies to encourage immigration and higher fertility. France is one of the EU member states that have gone furthest in using demographic data in the political debate, and in recognising the state as a policy actor in demographic matters. Policymakers have been quick to detail the economic implications of low fertility and an ageing population and consequently a range of policies have been implemented. Emphasis has often been placed on facilitating the reconciliation of work and family life, which has been supported by the public (Grant *et al* 2004).

Sweden and the Nordic countries have a long history of social policies aimed at affecting the family, and the state of political debate in these countries demonstrates a long-running consensus that the state has an important responsibility for helping people balance their work and family life. However these countries do not have an explicit population policy. Instead the Nordic governments employ a ‘suite’ of policies – including high quality childcare and extensive parental leave, which, it is hoped, will act together to create an environment which is conducive to higher fertility. This is an *indirect* population policy: while politicians swiftly acknowledge the demographic benefits of their policies, the impact on fertility is secondary to the goal of allowing parents to combine work and family formation (Grant *et al* 2004). And unlike Germany, France and Belgium where the family unit is the focus of benefits, in these countries resources are directed at children, something that has again proved popular with the public, as has been shown by research around fertility in Sweden (*ibid*). Somewhat less conventionally, in Japan the Government has attempted to raise fertility and encourage marriage through sponsored dating games, hiking trips and cruises for single people (Financial Times 2000).

In these countries politicians have managed to introduce policies that have caught the public imagination. Talking about the benefits of universal childcare for children and working mothers first, and the demographic benefits second resonates in social democratic Sweden. In France politicians have been able to appeal to their citizens’ patriotism – by talking about demography as a ‘source of vitality’ for the country. But not all governments have hit the right note in this thorny debate.

In Spain, until recently there had been strong public opposition to any government action aimed at increasing fertility, partly because such policies were associated with Franco's dictatorial regime and partly because there was a misconception that fertility was too high (Cordon 2000). Since 1998 family issues have returned to the political and media agendas in response to perceptions of an ageing population and concerns about the future of the pension system, but the Government has been very tentative in its policy response. In 2003 the Government introduced a national family policy: a three year initiative to co-ordinate family policy measures and enhance their coherence, but there remains a strong belief in Spain that family creation and structure are private matters. Hence money is earmarked for helping families in times of need rather than encouraging higher fertility (Cordon 2001).

The examples above suggest there is a range of options available to governments considering whether to intervene to influence population trends in their countries. But are these various interventions merely political measures designed to assuage popular concerns about demography and win political capital, or are they genuine responses to demographic issues, which succeed in influencing change? The next section examines the evidence.

### Can policy influence demography?

Before we turn to the literature, it is worth remembering that intuitively we know that public policies can impact on demography. Health policy, for example, impacts on longevity and childbearing by enabling medical treatments which keep people healthier for longer and reduce infant mortality, and by funding technologies that assist individuals with fertility problems. There is nothing contentious about policy that enables medical advancements that extend the healthy lifespan, but of course without these developments the demographic landscape would look very different. The role of policy in influencing other aspects of demography is, however, rather more contentious.

There is still mixed evidence of the effectiveness of population policies in changing demographic trends in specific ways. But a vast array of literature suggests that policies *can* modify certain trends if the problems are spotted early enough (see for example d'Addio and d'Ercole 2005, Grant *et al* 2004, Bradshaw *et al* 2005 and Castles 2002). Much of the focus of recent demographic research has been on the role of policy in raising fertility, mainly because traditionally academics and policymakers have seen low and declining levels of fertility as the most important demographic trend (Grant *et al* 2004, Caldwell *et al* 2002). It is also the area that presents the most contentious prospect of government intervention in private lives, so it is useful first to explore whether policies can influence childbearing decisions and second to highlight the political complexities involved.

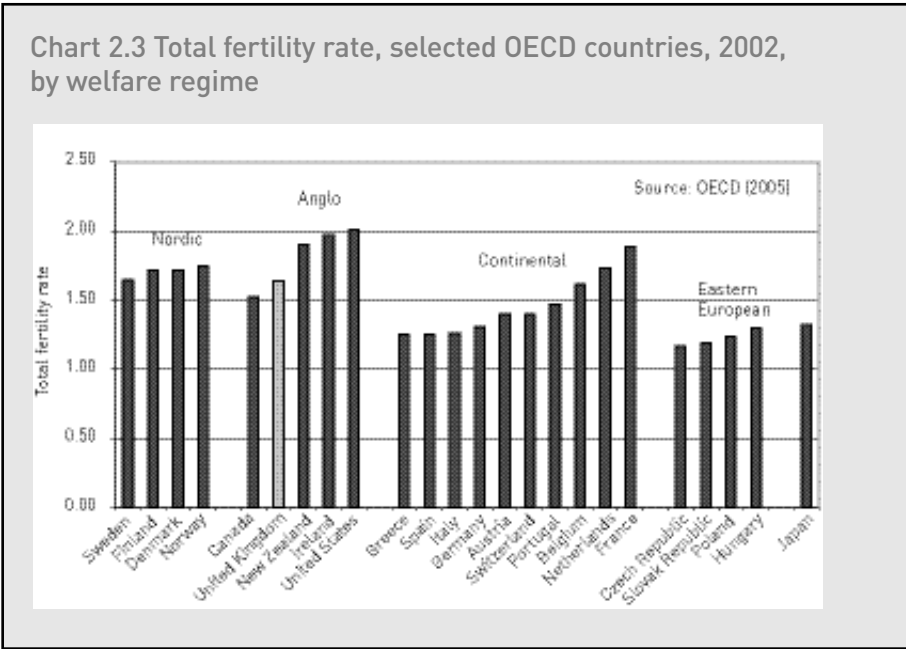
Table 2.1 provides a summary of the literature on the impact of policies on fertility. Although many policy initiatives have manifestly failed or had unexpected impacts, there is a growing consensus that a wide range of

Table 2.1 Overview of studies on the impact of policies on fertility, OECD countries

Type of policy	Impact on fertility rates	Impact on timing of births	References <sup>1</sup>
<b>Increased childcare availability</b>	Strong positive impact on TFR		Castles (2000)
	Some positive impact on TFR		Del Boca (2002), Walker (1995), Kravdal (1996), Blau and Robins (1998), Mason and Kuhlthau (1992)
	No effect on transition to first child (Germany)		Hank and Kreyenfeld (2001)
<b>Extended family-friendly policies (eg extended maternity, paternity and parental leave)</b>	Some positive impact on TFR		Castles (2000), Blanchet and Ekert-Jaffe (1994), Ekert (1986), Zhang <i>et al</i> (1994), Hyatt and Milns (1991), Olah (1996, 1998), Hoem (1993), Walker (1995)
		Earlier first birth	Beets (2001)
		Earlier third birth	Hoem <i>et al</i> (2001)
<b>Increased cash benefits for families</b>	Some positive impact on TFR		Gauthier and Hatzius (1997), Brouillets <i>et al</i> (1993), Lefebvre and Merrigan (2001), Zhang <i>et al</i> (1994), Cigno and Ermisch (1989), Cigno and Bamby (1990), Robins and Frensch (1995)
	No effect on third order births		Belanger <i>et al</i> (1998)
	No impact		Acs (1996), Kearney (2002)
		Increased teenage fertility	Claussen <i>et al</i> (2001)
		Earlier childbearing for all births	Ermisch (1988)
		Higher rate of pre-marital births	Ermisch (1991)
<b>Increased tax incentives</b>	Strong positive impact on TFR, especially on probability of third child		Miligan (2000), Zhang <i>et al</i> (1994), Whittington <i>et al</i> (1990)
	Some positive impact on TFR		Georgellis and Wall (1992)
	No impact		
Source: Steebos (2003), Grant <i>et al</i> (2004)			

measures can affect fertility rates in predictable ways – if they are designed with sufficient care and consideration. (And badly designed policies can affect fertility rates in unpredictable ways.) Fortunately, the ever-increasing number of governments that have taken steps to increase birth rates has left a plethora of case studies and prospective policies from which to choose.

Although fertility rates are determined by a myriad of complex, interrelated factors, a cursory comparison of fertility levels in different countries suggests some patterns: it is striking that many of the countries with the highest fertility are often those with low gender pay gaps, good childcare support and high female employment (Bradshaw *et al* 2005, Castles 2002, Esping-Andersen 1999, d’Addio and d’Ercole 2005, Sleebos 2003). And those with low fertility are often where transitions to adulthood are more extended as children live with their parents for longer (Sleebos 2003, Grant *et al* 2004). For example, chart 2.3 shows the TFR in a selection of OECD countries, grouped by welfare regime. Although there are numerous exceptions – partly due to differing demographic histories and cultural idiosyncrasies – one noticeable trend seems to be that the ‘Nordic’ countries of Sweden, Denmark and Norway (which are characterised by relatively high spending on families and childcare, and high female employment) have higher fertility rates than the majority of ‘Continental’ and all of the ‘Eastern European’ countries.



But what about the many outliers? France has a higher fertility rate than any Nordic country, as do three of the Anglo countries – New Zealand, Ireland and the US – all of which we might expect to have low fertility rates since they have relatively poor childcare provision and high gender pay gaps. Why is fertility in these countries so high? In the case of the US, overall fertility is hugely boosted by Hispanic immigrants (Bradshaw *et al* 2005), who tend to have much higher birth rates than the domestic born population (and interestingly higher fertility than women in their country of origin (Camarota 2005)). So much so is this the case that growth in the Hispanic population is expected to account for 39 per cent of America's population growth from 2000 to 2010, 45 per cent from 2010 to 2030, and 60 per cent from 2030 to 2050. The scale and importance of this demographic shift in the US over the next 50 years should not be underestimated: just 53 per cent of the population is projected to be non-Hispanic white by 2050, compared with 72 per cent in 2000 (US Census Bureau 2001), which will have profound social and political implications in the coming decades.<sup>14</sup>

A similar explanation accounts for high fertility in New Zealand: Maori and Pacific women have very high fertility rates and make up a fifth of women of reproductive age, which raises overall fertility (Ministry of Social Development 2003). High fertility in Ireland is slightly more difficult to account for but is largely a legacy of historically very high fertility and a Catholic cultural preference for larger families, combined with strong economic growth in the last decade, which has made larger families more affordable and more births occurring outside marriage (Fahey 2001).

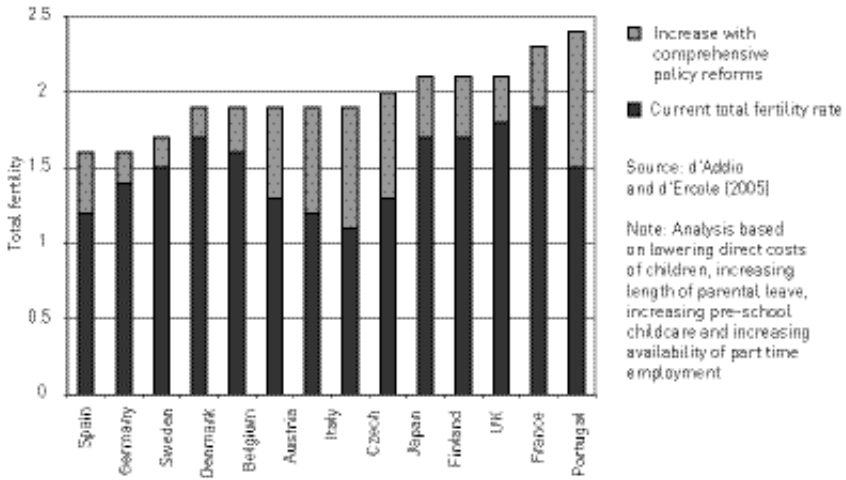
France is perhaps the most interesting case for our purposes. Its high fertility is not explained by immigration or high growth. It is one of the few countries with an extremely *explicit* fertility policy. For example, the Infrastructure Minister, Gilles de Robien, stated in a recent interview that 'Demography is a very great source of vitality for France' (Financial Times 2005), and highlighted recent policy measures to increase fertility, which include huge tax breaks – of up to £675 a month – to middle class parents (in practice, women) to stay at home to look after their children, generous family allowances, fully paid maternity leave and laws to reduce working time.

This suggests that policy aimed at raising overall fertility can work. More detailed analysis undertaken by the OECD argues that a barrage of policy instruments could raise fertility significantly in most countries, as shown in chart 2.4.

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14 As we argue in chapter 1, the growth of people from minority ethnic communities in the UK will not be as fast or have such dramatic and far-reaching effects.

Chart 2.4 Potential effect of policy reform aimed at increasing fertility



Yet some the policies suggested by the OECD study would be unacceptable to progressives and a sceptical British public. For example, the 1994 extension of the 'Allocation Parentale d'Éducation' (APE) in France – which provides one of the parents of a newborn with a monthly benefit of around £350 during the three years following birth, provided the parent has held a job during two of the preceding five years and stops working – created an explicit trade-off between employment and fertility, with serious implications for gender equality. The reform led to a substantial decrease (as might be expected) in the labour force participation of women aged 20 to 38 in families with two children: non-employment in this group rose from 44 per cent in 1990 to 53 per cent in 1999, while non-employment in other groups was stable or even decreased (Laroque and Salanié 2003). This seriously reduced many women's future employment prospects and reduced the size of the workforce and would not be acceptable in the UK.

Another unpalatable option is to introduce tax incentives, such as those in Singapore where families who have a second child within marriage before the age of 28 or a third or fourth child at any age receive a Singapore \$20,000 tax rebate (IRAS 2004). Such a huge allocation of resources through the tax system in this way is extremely regressive and would be unacceptable, particularly as it is prescriptive over people's familial arrangements. A further concern about tax incentives is that they often go directly to the main wage earner, predominantly the father, and are less likely to be spent on children's welfare than if paid directly to the main carer. Recent reforms in France that used similar structures to incentivise middle class women to stay at home and have more children found little

favour here: when Work and Pensions Secretary Alan Johnson was asked in 2005 about whether Britain might adopt the policy, his response was a simple and emphatic 'no' (Channel 4 News, 25 October).

Other more radical proposals would find less favour still. In Italy in late 2005 a proposal that mooted paying women not to have abortions gained popular support in parliament (Guardian 2005). In Austria, there was serious political debate about giving parents with children extra voting rights to counterbalance the increased political weight of pensioners – the worry was that an ageing electorate would happily exchange the policy incentives promoting fertility for increased spending on older people, resigning Austria to a disastrous demographic future (Chamie 2004). It is hard to see this kind of approach being taken seriously in Britain.

The reasons for low fertility vary between countries, which again makes it difficult simply to import strategies. For example, in Sweden levels of female earnings are positively related to levels of childbearing (Grant *et al* 2004) because policies to encourage female labour force participation are accompanied by family friendly policies that enable women to combine childbearing and caring with work.<sup>15</sup> And in Denmark poorer women have fewer children, largely because the gender pay gap has narrowed more at lower educational levels and daycare is harder for poorer women to afford. This is an important lesson for British policymakers since helping individuals to balance work and family is a key progressive goal. In Spain one cultural reason for low fertility is that young people tend to live at home until later in life, and tend to marry later than in some other countries. There are complicated reasons for this, but policies that either directly or indirectly make homes more affordable for young couples could have a positive effect on childbearing decisions. At the same time, there is a dearth of part-time jobs in Spain, making it harder for mothers to combine working and caring for children. Any policy encouraging women to work must take account of this (*ibid*). Thus it is important to account for the political, economic and social climate when devising an appropriate strategy.

This is an important point for British policymakers because not only would Britons be unlikely to accept heavy handed intervention, but we do not have the very low fertility experienced by, for instance, Italy, Japan, and many of the OECD countries, partly because our political economy is quite different. Britain's emerging Anglo-social model may have helped to maintain relatively high fertility rates by facilitating women's participation in the labour market and offering some childcare support (Dixon and Pearce 2005). And the steady economic growth and high employment rates of the

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15 Although changes in benefits have had a slight effect on Swedish childbearing decisions it is generally thought that they have had a greater effect on timing. Chapter 4 discusses this notion in more detail, but Lutz (2003) has argued that changing timing would be a useful policy aim in itself.

last decade may have also helped to maintain fertility by boosting people's confidence about planning for the future. But the research presented in the last chapter illustrates two important points for policymakers. If we do not act now to raise the fertility rate we may well face the same problems as these countries, albeit on a smaller and longer-term scale. Secondly, the problems with fertility in this country are more subtle than a superficial examination of fertility rates and demographic trends would allow, and our policy response must be similarly nuanced.

## A lack of leadership

On Christmas Day in 1085, William the Conqueror, intending to discover how much tax he was due, set out to chronicle England's demographic landscape, a project which two years later resulted in the Domesday Book. This was an early example of an enduring fascination: changes in the demographic makeup of the population would intrigue and agitate British kings, queens, politicians, policymakers and academics for centuries. Yet it is well documented that past concerns about population expansion or decline generally came to nothing, as the advent of war, famine, migration or the post-war 'baby boom' unexpectedly sent trends spiralling in the opposite direction. Twice in the last century British governments established commissions to investigate population change. The first, which reported in 1949, was motivated by concern about the interwar drop in fertility rates. Fewer than 20 years later the second commission was set up, this time to consider the consequences of the mysterious 1960s 'baby boom'. Two years later policymakers were scratching their heads in bemusement: fertility rates had dropped again.

The ephemerality of demography and the difficulty in accurately predicting trends may point to why there has been such reluctance on the part of British governments to lead debate in this area. The UK policy on population was presented to the UN Conference on Population in Mexico in 1984 and Population and Development in Cairo in 1994. It holds that:

'The United Kingdom does not pursue a population policy in the sense of actively trying to influence the overall size of the population, its age structure, or the components of change except in the field of immigration ... the prevailing view is that decisions about fertility and childbearing are for people themselves to make.' (ONS 1993)

Beneath this benign statement lies an assumption that government policy and activity do not influence public decisions about childbearing unless they actively seek to – something that we explore later.

Fast-forward a decade and although we may have seen a change of government and an ongoing shift in mood across the developed world with



regard to demography, officials in Britain are still reluctant to openly debate policy responses to demographic change, except of course with regard to immigration.

All the main political parties agree that something must be done to solve the immigration 'question'. The salience of the issue at the 2005 general election is indicative of the importance each party places on it, from the Conservative insistence that 'Parliament should set a limit' (Howard 2005) to calls from the Liberal Democrats (Oaten 2005) and Labour to recognise the positive aspects of migration. And despite the lack of a policy response there is some cross-party consensus that low fertility should be a political concern; as we will show later in this chapter, politicians from both Labour and the Conservative party have voiced concerns about declining fertility in the last few years.

In November 2005 the national statistician Karen Dunnell announced that a new National Statistics Centre for Demography would be created within the ONS, responsible for the co-ordination and production of population statistics and demographic analysis for the UK (ONS 2005). The decision to move responsibility for demographic analysis from the GAD to the more high profile ONS suggests the Government is becoming increasingly interested in how the population is changing. Yet no British government has attempted explicitly to respond to demographic change – excluding in the area of migration – through policy or reforms.

Despite the lack of an official response, it would be wrong to say that the Government has achieved nothing in this area. Official research has been undertaken into certain demographic trends and many of the subsequent reports have made important steps towards policy solutions to demographic challenges. Independent commissions have been tasked with making policy recommendations in several key demography-related areas: the Turner Commission on pension reform and the Barker Review of housing supply (Barker 2004) are two recent examples. The motivations for this approach are understandable: taking contentious questions out of the political sphere can facilitate more open debate. But it is unclear whether this is really appropriate for demographic questions; as the analysis in this report shows, demography is intrinsically political because it matters for social justice. And it is less clear whether this approach has succeeded in facilitating informed debate, particularly given the experience of the Turner Commission report – certain recommendations of which have been criticised by the Treasury. The Government received a great deal of media criticism for commissioning both the Barker and Turner reviews (Sunday Telegraph 2005), which indicates a perception that there is a lack of political leadership of these issues.

A critical review of official activity in this vein has produced three important observations, outlined below, about the Government's current approach

to demography, the consequences of which are analysed later. This is by no means a comprehensive review of the way in which policy impacts on demography, but rather an analysis of the assumptions underpinning the current approach.

#### 1. Debate takes place in policy silos with little overarching analysis.

There has been a degree of incoherence in the Government's approach to demographic issues. This is despite the clear relevance of this issue for policymaking. There are more than ten ministers, many in different departments, whose remits *directly* cover issues that have important demographic components. These include, at the time of writing, Financial Secretary and Minister responsible for the Office for National Statistics (John Healey MP); the Secretary of State for Health (Rt Hon Patricia Hewitt MP); the Minister of State for Children, Young People and Families (Rt Hon Beverley Hughes MP); the Minister of State for Housing and Planning (Yvette Cooper MP); the Secretary of State for Work and Pensions (Rt Hon John Hutton MP); the Secretary of State for Education and Skills (Rt Hon Ruth Kelly MP); the Secretary of State for Trade and Industry (Rt Hon Alan Johnson MP); the Parliamentary Under-Secretary for Women and Equality (Meg Munn MP); the Minister of State for Immigration, Citizenship and Nationality (Tony McNulty MP); the Minister of State for Pensions Reform (Stephen Timms MP) and the Minister of State for Work, Employment and Welfare (Rt Hon Margaret Hodge MBE MP).

All of these ministers will be aware of how certain demographic trends impact on their policy areas (although as we argue below, they need to be more aware), yet it is unlikely that without specific mechanisms in place, ministers, their policy researchers and policymakers will be aware of the complex interaction between trends and how each feed into each other. This is discussed in more detail below, but essentially it means that the 'big picture' risks being overlooked in demographic research and policymaking.

There is some indication that with the introduction of a new National Statistics Centre for Demography this may improve. On announcing the creation of the Centre, John Healey said that 'High quality demographic data and reliable population statistics are very important elements of the evidence base required for policy formulation. The transfer of this work to the ONS demonstrates a commitment to better co-ordination and integration of demographic statistics with other data' (ONS 2005).

Yet it is unclear to what extent better information about population change will manifest in policy. To date an oversight is evident in government literature. In the last few years reams of White Papers on our ageing society have been published by many of the ministers listed above to address some of the challenges presented by ageing, including (for example) the Department for Education and Skills (2003), the Department for Work and Pensions (2005,

2005b), Department of Health (2005) and the Office of the Deputy Prime Minister (SU 2005). However, seldom has the link between ageing, low fertility, patterns of immigration, the age structure of migrants or the rise in solo living been explicitly made in official reports, even though each of these demographic issues have causal and other implications for ageing. Often these trends are discussed in isolation in separate policy or consultation papers, arising from separate ministers and departments rather than as part of a holistic debate, and the important interplay between different trends is overlooked.

For example, the Government has continued to produce legislation on immigration and asylum which does not connect the issue to wider demographic trends or debate, publishing in February 2005 a five year strategy paper *Controlling our borders: making migration work for Britain* which signalled its intention to reform the current system. And most recently, the Home Office (2005b) presented its proposals for a new 'managed migration' system, which included an explicit recognition of the economic benefits migrants bring to Britain. But this does not mention the role they play in, for instance, staffing the care services that are becoming increasingly important as the population ages. Nor is there recognition of the potential for managed migration to help to solve some of the other problems presented by demographic change.

The previous chapter illustrated why immigration cannot be a panacea for ageing, and chapter 6 reaffirms this argument. Yet the British Government appears to be years behind on this issue, having not yet even acknowledged the role that immigration plays in shaping the composition and regional distribution of the population more generally.

Similarly, Labour has introduced a significant number of policies affecting parental, paternal and maternal leave, childcare provision, and reforms, which has made it easier for families to combine work and parenting. Yet the links to demography or the fertility rate are only explored very tentatively. For example, the Government's Ten Year Strategy for Childcare cautiously notes that 'If individuals decide that the challenges of combining work and family are too much, they may choose to have fewer children' (HMT 2004: 16). There is much evidence that this is the case, and further that parents expressly want more help from the Government in balancing their work and childcare, as we demonstrate in the next chapter. The relationship between low fertility and the rise in solo living has not been explicitly made either, partly because there has been so little explicit government interest in changes to the fertility rate and solo living, yet the two are inextricably linked and also impact on other policy areas.

## 2. The Government fails to predict the impact of demographic change.

Predicting demographic developments is a risky business, yet as this report shows, it is possible to be better informed about various developments than we currently are.

It is to the Government's credit that there has been a positive tone to many British reports and publications on the subject, official or otherwise. Increased longevity has rightly been acknowledged as something to celebrate rather than denigrate, and better health in old age suggests opportunities to exploit the skill and learning potential of this new demographic. Much recent research has focused debate in this area (Department for Education and Skills 2003, Department for Work and Pensions 2005, Harkin and Huber 2004, Kirkwood 1999). The Government's new five year strategy for managing immigration is similarly positive about the benefits immigration can bring to the economy (Home Office 2005). But while the Government has been quick to note the serious challenges we face in solving the pension problem, it appears that not enough time has been spent in predicting the negative implications of demographic change for other policy areas. This may well be a consequence of the lack of joined-up thinking mentioned above.

For example, while we know a lot about the implications of an ageing society for pension and healthcare provision, much less is known about the impact of ageing and low fertility on future housing needs, or the implications of the rise in solo living for British politics and society. The Government does take detailed note of demographic trends to inform its housing strategy, producing detailed projections. But even this is a relatively recent development and the implications of rising solo living for housing policy are poorly understood at best (see chapter 5). In chapter 6 Farrant and Sriskandarajah illustrate how immigration actually impacts on a range of policy areas in important ways – casting light on the extent of oversight present in current policymaking.

A third example is that several official reports have insisted that changes in the fertility rate will make no difference to dependency ratios or government spending commitments in the UK up to 2050 (e.g. Pensions Commission 2004). This may be true for the medium term but it could well be a problem in the longer term. Demographic change presents opportunities, but it also presents some serious long-term challenges, in both macro-economic and social justice terms. These go beyond the traditional concerns about how to fund adequate pension and healthcare provision. There is a compelling case for more intelligent and holistic long-term planning. Without ensuring dedicated ministerial responsibility there is a danger that the work of the new National Statistics Centre for Demography will not be properly integrated into the policymaking process. There is also a need for more sophisticated population projections, particularly concerning the interplay between fertility rates, social class and ethnicity, which is essential if we are to produce informed policy.

3. The potential impact of policies on demography is not accounted for. Obviously, government policy across a range of areas will affect demogra-

phy. For example, policies that improve the way patients are treated contribute to increased longevity and better health across the lifespan, and policies that allow technological developments in fertility treatment will contribute to an increase in the birth rate (although there is a controversial debate about whether IVF also encourages couples to leave childbearing until later, thus lowering the birth rate). But government fails properly to account for the potential impact of policies on demography in many, less obvious, areas, even though it is aware that policy does influence demography:

‘Fertility rates can change very rapidly and depend on a number of factors, not least government policy itself.’ (HMT (2005: 16)

Again this may be partly due to the current difficulty of co-ordinating the relevant outputs of departments. In fairness it is also extremely difficult to analyse the impact of policy on demography. By their very nature the effects take a long time to play out fully, and projections are subject to very wide error margins. However, recent research in this area (d’Addio and d’Ercole 2005, Grant *et al* 2004) suggests it is possible to be predictive, and failing to do this could entail important consequences. For example we do not know whether policies that impact on house prices (e.g. the recent reforms that increased the threshold of stamp duty from £60,000 to £120,000) or potentially increase debt (e.g. university top-up fees) affect people’s behaviour and decision-making with regard to household formation, let alone how they may impact on childbearing decisions. David Willetts famously claimed that ‘high house prices are powerful contraceptives’ (Willetts 2005); worryingly, both student debt and house prices are at an all time high. Similarly, we do not know how Labour’s range of policies affecting parental leave, the availability of childcare and the cost of children have impacted on the fertility rate, or indeed whether better provision of childcare may impact positively on parents’ relationships (although there is some conjecture that it might (d’Addio and d’Ercole 2005)). Nor do we know whether policies that encourage greater take-up of tertiary education are also encouraging people to live in the parental home for longer and hence marry later. Furthermore, nor is it clear what impact social security, housing and employment policies have on the extent of internal mobility, particularly for the low-skilled unemployed.

This analysis is worrying. As chapter 1 showed, demographic change impacts in both obvious and more subtle ways on housing, pension, employment, education, training and other policy areas. Hence all the ministers mentioned above need to be aware of how demographic changes continue to impact on the work of their department and influence the efficacy of policies. When thinking about specific demographic objectives such as raising fertility, they also need to co-ordinate with other departments to

ensure a joined-up, coherent approach, otherwise policies could influence trends in conflicting ways.

However, other than the usual checks and audits undertaken by the Treasury, there is currently no mechanism to enable ministers to co-ordinate departmental outputs that may come to bear on demography. It seems odd that we do not more accurately measure the impact of current policies on demography, when so much effort is spent in calculating the impact of policies in other areas. What accounts for the Government's reluctance to lead on this issue?

## Progressive silence

Cultural factors may be key to why government is reluctant to explicitly pursue policies in this area. Many governments of industrialised countries may feel that insisting that women have more children, couples stay together, or single older men flat-share with students in order to solve demographic challenges would be crossing the line between enabling and nannying. But in Britain there is a particular history of antipathy towards state intervention in private lives and British ministers tend to be especially wary of sounding prescriptive about individual lifestyle and childbearing decisions. In the debate over the publication of the DTI Work and Families Bill in October 2005, Trade and Industry Secretary Alan Johnson insisted that though the measures would help women and men to balance work and families, the policy was not aimed at increasing fertility: "This is not "breed our way" to economic success. This is a very British work and families bill and a very British approach" (quoted in the Financial Times, 2005b). This reflects the prevailing view in British political circles: politicians talk of influencing population trends at their peril.

Some politicians argue that this view is grounded in experience. When Patricia Hewitt commented in September 2004 on the economic and social benefits of having more children, the Daily Mail interpreted this as an 'edict' from the 'nanny state for women to have more babies' (Daily Mail 2004). This should be taken with a pinch of salt, though: a year previously, the Daily Mail's sister paper published a comment piece in response to a report from the Women and Equality Unit on motherhood and employment, which claimed that: 'If Hewitt really wants women to "help the economy" and "benefit the nation", she should tell them to quit their jobs, go home and breed for Britain' (Mail on Sunday 2003). And opinion research, which we examine in the next chapter, indicates the public may be more supportive than the Government thinks.

Interestingly, Conservative MP David Willetts was applauded for his perspicacity when he argued the same point as Hewitt in a pamphlet published in 2003 (Willetts 2003) which has led some to argue that this might be an

issue the Right finds easier to address than the Left. It has been argued that the Left has been associated with big government and nanny-statism, a residual hangover from Thatcher's anti-state rhetoric, which seemed to resonate strongly with important sections of the British public, coupled with the perceived failures of corporatism in the 1970s. Alternatively it is argued that public perceptions of centre-left nanny-statism could have been inspired by historical association with the Fabians and their early dabbling with eugenics, a concept that enjoyed widespread support on both sides of the Atlantic in the early 20th century.<sup>16</sup> In his 1907 tract *The Decline of the Birth Rate*, Sydney Webb argued for state policies that would induce the 'right' kind of people to breed. Unappealing in their own right, such policies became the focus of revulsion after the reports about the horrific experiments undertaken in Hitler's death camps. Incidentally, the term 'population policy' is nearly extinct in Germany for this reason. Yet eugenics was not the preserve of the Left: it was also associated with fascism, and some of the worst examples of big government have been from the authoritarian Right. The hostile press reaction to Hewitt may reflect nothing more than the right-wing nature of certain media rather than any intrinsic problem for today's Left.

In fact there is a strong theoretical framework for defending interventions in socio-demographics from the charge of nanny state interference, which derives from the theory of 'positive liberty' (Berlin 1969). This holds that an empowering state should ensure that everyone has the opportunities and resources to pursue their own life-course, rather than simply removing impediments and ensuring mutual non-interference as proponents of 'negative liberty' would argue. So where individuals need financial assistance with some aspect of fertility, or even counselling to help them continue a relationship, the state should help to provide it – without pre-determining individual choices.

Yet there is another reason why government may have been reluctant to act. As we have argued, in other countries, the traditional problems raised by demographic changes have been pressing enough for politicians to take the leap from concern to intervention. But in the UK the classic concerns of dependency ratios, government spending and global power are not so immediate. Our demographic history leaves Britain in a better position than many other countries to deal with the challenges of an ageing population (Dixon and Pearce 2005). In addition, our political economy, with high levels of male and female employment, a flexible labour market, relatively low employment taxes, increased spending on public

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16 The influence of these ideas was particularly pervasive in the United States, where eugenic theories were used to justify both the sterilisation of certain classes of mental 'defectives' and limits on immigration in the early 20th century.

services and childcare, and a relatively high fertility rate mean that the Government is unable to justify intervention to raise fertility in Britain in terms of a macroeconomic priority, as other countries, such as France and Japan, have done.

Because of the length of time before policies to influence fertility and affect population structure take effect, many politicians have assumed that they would be needlessly expending political capital if they were to enter this contentious policy domain – the effect of the policy would not be felt in the lifetime of one administration (Grant *et al* 2004). But this assumption is flawed: not only are there pressing reasons for government to act now, but other governments have won political capital for targeted reforms to raise fertility that go with the grain of public opinion.

If fertility were viewed solely through a macroeconomic lens, one could understand why the Government appears relatively sanguine and hesitant to ‘waste’ political capital. But governments should not only think about demographic change in relation to overall spending commitments, and should no longer talk about them exclusively in those terms. Fertility and wider demographic change are social justice issues: something that most other governments and their advisers seem regrettably to have missed. Demographic trends such as low fertility and increased longevity clearly matter in the long term, but they also matter now: government needs to take a lead in this area because otherwise certain trends will create pressure towards greater poverty and inequality, and reduced life chances.

Interestingly, while effecting large demographic shifts – such as decreasing the dependency ratio – is an extremely long-term goal, responding to the social justice implications of demographic change is a more attainable ambition. For example, if policy were to influence the number of single person households in an effort to reduce poverty and inequality, the repercussions could be felt as early as the next spending cycle (see chapter 5).

As the analysis above suggests, the lack of official leadership has had several serious consequences both for demographic trends and demographic debate in Britain today. For the purposes of clarity these can be split into two camps: first the policy consequences, and second the political implications. Again, the analysis below aims to give a general sense of the problem rather than a detailed examination.

## Policy consequences

### 1. The causes of certain trends are not well understood.

Because of the lack of sufficiently detailed official research into demography, some of the less obvious causes of certain trends are overlooked. Research presented in this report shows how certain trends, for example those for women to have fewer children, for low-skilled workers to stay out



of the job market or for more people to live alone, are partly the result of environmental, economic or other constraints that are preventing people from achieving their familial or other demographic ambitions. We explore these ideas in later chapters, but a severe consequence of the Government's silence on demography is that the barriers that are stopping people from living as they would like to go unacknowledged – even though the Government may well be able to remove these barriers through implementing relatively simple reforms, as we will demonstrate.

## 2. Policies *are* influencing demographic shifts.

The literature shows that reforms and policies can critically shape the environment in which decisions about family and household formation take place (Grant *et al* 2004). This throws into sharp relief the lack of attention given to this influence in Britain today. Various policies, especially those that assist parents with their work/life balance or tax policies that favour families with children, no doubt continue to influence public attitudes to childbearing, family formation and lifestyle choices in the UK.

Similarly, policies that 'delay adulthood' – for example those that encourage young adults to remain in education for longer, or reforms such as the introduction of tuition fees, which result in an increase in student debt – might well impact on decisions relating to marriage or moving out of the parental home, or indeed on decisions about whether to purchase property or share housing. There is some evidence that professional women are having fewer children than less affluent groups: is this the result of the gender pay gap disincentivising professional women from leaving the labour market for even short periods, or the result of something else? The point is that the potential impact of policies on demography should be weighed up in an open and honest debate to ensure we have our priorities absolutely right and to give policymakers an opportunity to mitigate any negative outcomes.

In this vein it is also difficult to assess the impact of housing and land reforms on the rise in solo living, although there are signs that increasing house prices can lead to homelessness and disadvantage among single person households. Again, although it is difficult to do, government should be more aware of such potential impacts so that political debate is informed and balanced.

Interestingly, the package of family policies and reforms introduced by the Labour Government in the last eight years, such as extended childcare facilities, parental leave and tax credits to working parents, may account for the slight rise in fertility observed over the last four years. Yet without detailed analysis we do not know which of these reforms have had the most effect or, more worryingly, whether any reforms have had adverse effects on the fertility rate, or indeed, adverse effects on certain groups of women. Though a rise in fertility is welcome, in policy terms the Government's

silence has resulted in fertility policy by accident, rather than by design or considered appraisal of the merits of different approaches.

### 3. The Government has an unacknowledged, implicit, population policy.

Despite the potential impact of many of the Government's policies on childbearing decisions, and therefore on the fertility rate, ministers have failed to address the connection, and none of the policies have been explicitly termed 'population policies' or 'family policies', even though very similar policies introduced in Sweden have been acknowledged as impacting on the fertility rate. This leads to the question of whether the Government is in fact introducing population policy through the back door. This has not escaped media attention (Financial Times 2005b).

The Government has been similarly reluctant to talk explicitly about the impact of its policies on internal migration patterns, although there is considerable evidence of an implicit policy approach: the Lyons Review of public sector relocation has resulted in central government departments being relocated out of the South East (Lyons 2004), effectively shifting thousands of civil servants and changing labour market structures in the affected areas. Similarly, much of the rhetoric surrounding regional evaluation in terms of Gross Value Added has meant that regions are more focused than ever on attracting high-skill workers to provide an economic 'trickle down' effect (Commission on Sustainable Development in the South East 2005), and social housing tenants on long waiting lists are often encouraged to shift their expectations and apply for housing in areas with less demand. More explicitly, the Scottish Executive has adopted the 'Fresh Talent' initiative, which aims to attract and retain graduates (Scottish Executive 2004).

This brief analysis suggests that it is nonsense to assume that Britain does not have a population policy: it is merely an implicit policy.

### 4. We lack a progressive response to demography.

Without an explicit, coherent response, demographic change remains an issue that the Government has yet to claim as its own. The failure to connect demographic change to social justice means that the Government has been unable to respond to trends that may be exacerbating poverty and inequality in the UK and other consequences of demographic change. Also it has missed an opportunity to enable people to overcome possible barriers that are preventing, for instance, professional women from having children or low-skilled workers from moving to different regions for better working opportunities (see chapters 4 and 6 respectively).

## Political implications

Although in certain areas such as fertility the Government's reforms may have had a positive impact, they have not been presented or justified in

terms of responding to a demographic challenge, leaving it effectively mute on the issue of population trends more generally. There are several consequences of this silence.

### 1. The Government has failed to accrue credit for its achievements.

The Government has been unable to collect the political capital it is due for its potential success in raising fertility through its catalogue of parental leave, childcare and tax and benefit reforms – as noted earlier, ministers have in fact been very keen to disassociate their policies from concerns about the fertility rate. Other governments such as those of France and Sweden, have obtained public support for their actions to raise fertility or make childrearing easier for parents (Grant *et al* 2004). For example, the Swedish Social Minister, Berit Andnor, boasted late last year that ‘We have been able to increase fertility rates ... This is important for economic development. And it is something we are proud of.’

### 2. Demographic debate ignores the social justice implications.

In political terms, demographic debate remains focused on macroeconomic and geopolitical issues rather than social justice ones. In different policy areas this entails different costs. Chapter 1 illustrates the huge impact demographic trends have had on levels of poverty and inequality. In chapter 4 we show how ignoring the distributional impacts of low fertility means that more children may be born into poverty. In chapter 5 we illustrate how focusing on the benefits of living alone ignores the important implications of this trend for poverty, inequality and choice, while in chapter 6 we show how focusing on numbers means that policymakers do not fully understand the impact of immigration on the economy and society, and are not able to realise fully the benefits offered by migration.

### 3. Progressives are unable to counter attacks from opponents.

A serious consequence of the Government’s silence is that it risks being undermined by elements of the press in this area, and set on a defensive footing as has happened with immigration: the press has led debate around immigration, often framing it in terms of immigrants ‘swamping’ the UK, the Government ‘letting too many people in’ and the need to safeguard British interests (Lewis 2005).

Because ministers have tended to ignore the role of immigration in broader demographic change, the Government has been unable to respond effectively to calls from the right-wing press to reduce immigration. Yet we know that migrants are performing an essential function in British society and that ‘managed’ migration may actually be a way of solving some problems caused by a changing demography. For example as the domestic pop-

ulation ages and becomes more educated and skilled, migrants are undertaking the jobs that the domestic workforce is unwilling or unable to do. And the younger demography of migrants is contributing to a younger workforce, countering the effects of ageing in some areas.

Similarly, the lack of a progressive response to demography has severely constrained the Government's ability to articulate a convincing response to anachronistic demands for greater support for traditional families rather than lone parents, when it is single mothers who are most in need of support. Some sections of the press have published commentary emphasising the need to restore the centrality of marriage to society, while others have accused the Government of 'hating the family'.

'Why does Labour hate the family?' (Daily Mail 2005)

Official responses to the rise in solo living have been similarly absent, which has contributed to an ill-informed debate about the implications of this trend. For example, Rebecca O'Neil, a researcher at the think tank Civitas, recently made the link between solo living and crime, saying that 'people who live alone, even if they're living alone just a portion of their lives, aren't as integrated into the community and they aren't able to monitor the neighbourhood as well' (BBC 2003), despite there being no data that adequately supports this view. The Government's continued silence about demography in general and trends in household composition in particular (apart from regular spats with regional assemblies over implications for house building programmes) has left it unable to articulate a coherent and compelling response to these unsubstantiated claims.

These examples show that the presentation of issues is very important. This is particularly evident in relation to immigration, where almost consistently negative media coverage and attacks from opponents have boxed ministers into a corner. Public consultation work by ippr shows that messages from central government play an important role in framing the context within which information about immigration and asylum is interpreted. In particular the way politicians talk about immigration in terms of 'managed migration' or 'the immigration problem' has exacerbated public concerns (Lewis 2005). One might wonder why government ministers find themselves using this sort of language if they would prefer to send out more positive messages about immigration.

The reason is that although the Government has tried to say positive things about immigration, ministers have been so severely wrong-footed by some elements of the press, and commentators have been so successful at framing the immigration debate as problematic, that the Government has been forced to respond to attacks in the language of its opponents. The terms of debate have been set and the Government is left somewhat on the defensive. This leads us to the next point.

#### 4. There is uninformed public debate.

ippr's research has shown that in relation to immigration, 'in the absence of strong political leadership and a balanced media, there is little scope for the public to be well informed on this issue' (Lewis 2005a). The fear is that the same could happen with other demographic issues where the lack of political leadership could allow misinformation and spin to dominate. For example, debate around fertility decline is sometimes unhelpfully framed in terms of women *choosing* to have IVF in their forties rather than take time out of their busy lives to have children earlier. It is important that people understand the barriers that may prevent women from having children earlier in their lives, the implications of low fertility for society, and the social justice implications of the changing dynamics of fertility. Similarly, the rise in solo living is often framed as a damaging manifestation of the atomisation of our society (Lewis 2005b) and the consequences of this trend for individuals and society are not well understood. Many newspapers cover the key demographic issues fairly and accurately, but there has inevitably been exaggeration and misinterpretation, particularly in the tabloids, which may have a deleterious impact on the state of debate in Britain.

'Millions of women now in their twenties face lives of loneliness as they enter middle age, they were told yesterday...The tendency of people to forget marriage and live alone has been reinforced by government policy, which says that marriage is a lifestyle choice no better than any other form of relationship.' (Daily Mail 2005b)

'Women choose IVF "because they're too busy to have sex"' (Daily Mail 2005c)

The most important element in addressing negative public attitudes is political leadership (Lewis 2005). The Government needs to set out the progressive response to demographic change before opponents are able to frame debate on their terms.

#### 5. There is a sense of unease and mistrust about the Government's handling of demographic issues.

People are already suspicious of the Government's ability to deal with the 'immigration problem' (Lewis 2005a) but there has been a groundswell of debate around demographic change, with several news articles calling for political leadership and arguing for a more coherent political strategy. Although this does not necessarily represent public opinion, as we note above, the media response to the DTI Work and Families Bill is also indicative; in some sections of the press ministers were accused of trying to slyly raise fertility (Financial Times 2005b).

It is clear from this analysis that a mature debate about population policy is needed. The political reality is that if politicians do not start to lead

debate in this area, they will soon find themselves on the defensive, reacting to attacks, as has happened with immigration. Government must find a way to move demographic debate onto the mainstream agenda on its own terms and formulate an explicit, progressive and popular response to demography, not only so that it can lead popular opinion and respond to demographic change in a progressive way, but so that it can collect the political capital it is due for the apparent success of its family policies so far. The central question in formulating an explicit progressive response to demography is whether there really is public appetite for a government role: is the Government right to fear a negative public reaction?

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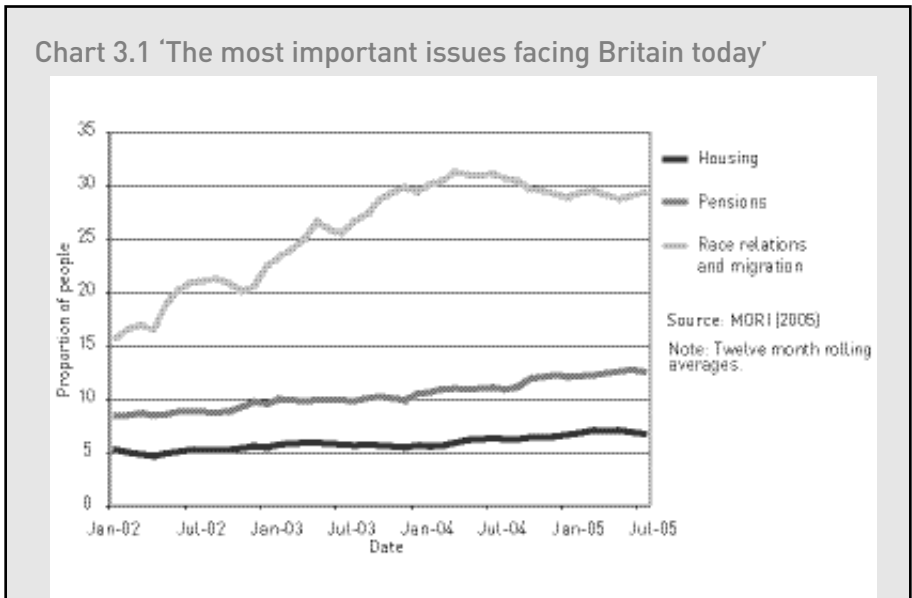
### 3 Population politics

This chapter explores British public opinion on the role of the state in responding to demographic change and identifies a political strategy that might allow the Government to lead demographic debate and influence trends in a popular and progressive way.

It argues that an explicit approach would allow government to ensure where possible that the effect of policy on demography was coherent across departments. Ministers could accrue credit for policies which have had positive impacts on people’s ability to achieve their familial and household aspirations. And most importantly it would enable government to work towards reducing poverty and inequality.

#### Public appetite

Public concern about demographic change is rising. Opinion polls indicate that Britons view issues that are intimately related to demography – such as ageing (pensions) and changes in the population structure which create pressure on housing – as being among the most important facing the country today. Chart 3.1 indicates that people’s interest in these issues has been steadily increasing, even in the last year. This interest is, however, eclipsed by the public ‘obsession’ with levels of international migration.



The chart clearly shows that concerns about immigration have escalated recently and remain high. The problem is that in general, immigration is viewed as a stand-alone issue rather than as an aspect of demographic change – one of several trends, impacting on British society in different ways. As the last chapter noted, the failure to connect immigration to a broader debate about population change and acknowledge the important interplay between levels of migration and changes in the domestic population means that there is a lack of informed debate, particularly about the contributions that migrants make to society and the economy (see chapter 6).

It is well documented, however, that Britons feel particularly strongly that the Government has a role in managing migration. Britons are more sensitive than most other citizens towards migration issues (Lewis 2005a). Newspapers publish new opinion research on an almost daily basis indicating the degree of importance attached to this emotive subject and published research indicates that people want more political leadership in the debate about levels of migration, and would favour a variety of reforms to manage the levels of migration into Britain and to aid community cohesion (*ibid*).

The indication of uninformed public debate, the suspicion about the Government's immigration strategy and the high level of interest in the issue, suggest that there would be support for more openness and honesty from government about the implications and importance of immigration in a context of wider demographic change. There is clearly public support for a more explicit government role in managing this trend and there would be clear benefits to broadening the debate into one that acknowledges the role that migration plays in demographic developments more generally.

But what about those very personal facets of demographic change that are to do with childbearing, family formation and domestic arrangements? Would the public appreciate a more explicit approach or does it believe that decisions about childbearing and living alone are solely for private individuals to make?

It is impossible to judge with absolute certainty. No research has yet been undertaken around public appetite for a government role in facilitating fertility or household composition in response to population shifts, partly because the Government has so far been reticent about taking the lead in demographic debates. A consequence of this, as noted earlier, is that the British public, unlike the French and Swedish, is relatively uninformed about the realities and consequences of demographic change. For example, *ipp*'s research has shown that many people simply do not believe that life expectancy is increasing – which is why there is such hostility to raising the state pension age (Robinson *et al* 2005).

But there are some powerful reasons for thinking that, with the right political and policy strategy, an explicit approach would have wide appeal

and strong backing. It is certainly not an issue that the Government can – or should – merely ignore.

Concerns about low fertility coupled with news of interventions in other countries have already sparked debate over whether Britain should follow their lead:

‘Birth rates are down across Europe so “middle class” mums in France are to get £500 a month to have a third child. Should Britain follow suit?’ (Sunday Times 2005)

Journalists, commentators and academics are beginning to see this as a key question. As we noted in the previous chapter, even the coverage of the Work and Families Bill was questioned through a lens of population policy. The questions seem to resonate with a British public that is becoming more interested in demographic change, more uncertain about its repercussions and more personally involved – it is after all people’s individual life experiences and decisions that are driving trends.

We have found that certain demographic trends are in fact driven by unmet individual ‘demographic aspirations’. In some instances people are unable to achieve their familial, household or other aspirations because ‘barriers’ are preventing them from balancing the demands of work and family, from living in the households they desire or from being geographically mobile.

In the section below we examine these barriers and public opinion in more detail, explain what a progressive approach to demography would entail and show why it would be popular.

## A progressive political strategy

It is clear from the analysis in the previous chapter that a population policy involving targets and goals would not be palatable in the UK: public fears of nanny-statism would preclude the Government from interfering so directly in the shape and structure of the population, and the conflicting evidence of the efficacy of targets and goals suggests that this would not, in any case, be the best option. Similarly, French-style tax incentives to lower the costs of having children would not be the answer to removing obstacles to higher fertility in Britain – not only because our culture is very different, but because such a policy can be regressive. The challenge for the British Government is to ensure that the component elements of a population policy amount to a force for progressive change.

A Swedish-style indirect population policy, in which the demographic benefits of family policies are openly acknowledged by ministers, but goals and targets to alter the population structure are not implemented, might be more appropriate in a British context. But the analysis in the last chapter

demonstrates that what works in one country may not work in another – politicians should not simply import strategies from abroad.

A progressive policy response for Britain must be subtler than the examples above: it needs to be wary of regressive impacts and it must be tailored to the specifics of Britain's emerging Anglo-social model and demographic challenges. To fully realise the Anglo-social model, demographic policy in Britain should not be focused only on numbers, but also on how to achieve greater social justice. And, perhaps most importantly of all, it must be sensitive to the prevailing political and cultural climate. Government must not be seen to be 'nannying'.

The Government should pursue an explicit and *enabling* policy approach to demography. An enabling approach would balance two competing considerations: shifting demographic trends in ways that would reduce poverty and inequality and improve environmental and economic sustainability, and avoiding undue interference in people's private lives.

An enabling approach would target policy at areas where there is existing public demand: where people face barriers preventing them from achieving their familial or 'demographic aspirations' and where removing these barriers would have positive demographic effects, reducing poverty and inequality and improving environmental sustainability. This approach would work with the grain of public opinion. Government action is most legitimate and popular when it removes the barriers that people face – when it enables them to get on with their everyday lives and meet their personal aspirations. But would this enabling approach really be popular?

There are three separate issues here and it is worth distinguishing them carefully. The first is whether there is evidence that people are being frustrated from achieving certain demographic aspirations. The second is whether the specific policies that would form part of an explicit and enabling approach to demography – such as better childcare provision, which would reduce the trade-off between work and childrearing, allowing more couples to have children if they wish to, and consequently increasing the birth rate – would be popular in their own right. The third is whether the public would support government making an explicitly stated link between these policies, people's frustrated ambitions and the need to counter the negative effects of demographic change. We discuss these in turn below.

Original analysis by ippr shows that there is important evidence of unmet 'demographic aspirations', which are partly responsible for the trends that have increased inequality and exacerbated poverty over the last 25 years. In chapter 4 we detail the enormous discrepancy between the number of children people want early in their lives and the number they actually manage to have. Each year in the UK this 'baby gap' between aspiration and realisation totals more than 90,000 children. And in chapter 5

we show that 14 per cent of people living alone said they had not chosen to do so (Lewis 2005b). Further, 21 per cent of those living alone aged between 25 and 44 did not want to live alone for more than a year from the time of interview but expected to do so (*ibid*). It seems likely that these groups would welcome official support.

Looking at changes to internal migration patterns, we identify in chapter 6 several barriers that are preventing low-skilled workers from migrating for better job prospects such as the allocation of housing subsidies, transport costs and gaps in information. Although there is limited relevant attitudinal research, it is likely that measures tackling these would be popular, particularly for some groups: research shows that well over one million people currently on incapacity benefit would like to work (Stanley and Regan 2003).

But would policies that helped people have the number of children they want, or give people living alone more options about their domestic arrangements, be popular in their own right? Again, a wealth of evidence suggests that they would be. Looking at fertility first, research undertaken by ICM for the Equal Opportunities Commission just before the 2005 general election, found that there was a strong consensus that the Government should do more to enable people to balance their work and family ambitions. Nearly seven out of ten people who were likely to change their vote said they would either definitely or be more likely to vote for a party with policies addressing one or more of these areas: childcare, maternity pay and leave, flexible working support for carers (or pensions) (ICM 2005). Another ICM poll, undertaken for the Guardian in September 2004, found that 66 per cent of people surveyed wanted a Scandinavian-style choice for parents to share the six months paid leave then available in Britain only as maternity leave, and 53 per cent wanted more paternity leave (this poll was taken before the publication of the Work and Families Bill in October 2005 (DTI 2005)). Research published by ippr earlier this year indicates that people think the Government has a responsibility to provide childcare for mothers with children under school age. For example 73 per cent of those questioned thought that single mothers with young children should be provided with money by the Government to help with childcare, and 49 per cent thought that a married mother with a young child deserved support (Taylor-Gooby 2005).

Unfortunately, there is a dearth of opinion research regarding the popularity of policies that would give people more choice about their domestic arrangements. But this is less of a concern: government's role in influencing fertility is much more controversial – social housing, housing benefit, stamp duty and planning regulations are all examples of well established and accepted government interventions in people's living arrangements. A policy focus that took a specifically enabling approach would almost certainly be popular in this area. We know that, contrary to misleading media reports, often people do not live alone voluntarily, and would choose to



share rather than live by themselves if they had the option (Lewis 2005b). This is particularly true for those in their thirties and forties who find themselves alone after a relationship break-up. It is unlikely that appropriate policy measures would be regarded with hostility: almost anything that helps people with housing difficulties – such as the recent lifting of the stamp duty threshold – is popular. The devil is in the detail here, and we need to draw out the lessons from people's attitudes to fertility.

There appears to be a set of genuine problems, and a range of popular policy solutions. But would an explicit link between these issues be popular, or should the Government aim to solve demographic problems by stealth?

The answer is clear: by openly acknowledging that many people face barriers and are unable to achieve their 'demographic aspirations' the Government would gain credit for its honesty and clarity in facing up to a range of genuine, pressing and common problems that many people face in their ordinary lives.

This is a point that seems to have eluded many analysts (and politicians), who fear expending precious political capital on policies that will not have macroeconomic benefits for many years; in fact, the evidence from abroad, and presented above, suggests that addressing people's mounting concerns in an enabling way would *accrue* popular support. But how should government introduce this strategy?

The area in which public appetite is strongest is fertility; introducing policy that is explicitly aimed towards enabling people to fulfil their family aspirations would be popular and progressive. It should be the first step in broadening government's remit – to be able to talk about demographic change in broader, more open terms. And it is the first demographic 'wedge' issue<sup>17</sup> on which progressives can put clear ground between an explicit enabling approach and a traditional, anachronistic, nannying and conservative one that simply dictates how people should live their lives.

## The political case

What would be the benefits of the approach we have outlined? There are at least nine distinct advantages:

1. It would facilitate more coherent governance, enabling better and more responsive policy solutions. There are two ways this is likely to manifest.

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17 We draw heavily here on research undertaken individually by Ian Shapiro (2005) and George Lakoff (2004) in America. Both academics have investigated the way that language can be used to evoke 'frames of reference' thereby setting the terms of debate. A 'wedge' issue is one that introduces the terms of debate in a clear way.

The first is in shaping policy priorities. It may be that some issues would move up the political agenda if policy was assessed from a holistic demographic perspective. Relatively low priority issues such as infertility related sexual health screening might take on new importance and central tenets of current policy, such as improving childcare, would be given new urgency – both these measures could help raise fertility. This would enable better fiscal planning, ensuring that the marginal pound was spent most effectively in the long term as the financial implications of early interventions would be more fully understood.

A second impact would be in tailoring new and existing policy proposals in relatively simple ways to meet better the full spectrum of people's needs. For example, ensuring that housing benefit was easily transferable between regions could make it easier for low-skilled workers to take advantage of evolving labour markets (Gregg *et al* 2005). More detailed analysis would be necessary to make any firm recommendations; our understanding of how current policy is shaping demographic trends is still too nascent.

2. Government would be better prepared for long-term challenges: a comprehensive awareness of the policy challenges that demographic trends will amplify, cause and mitigate would flag up where attention needs to be focused. For example, as we argue in chapters 4 and 5, any estimation of future care requirements that ignores the interaction between current fertility patterns and rising solo living is likely to be flawed. Alternatively, the demands on public services in separate geographical areas are likely to be differentially affected by demographic shifts.
3. Although Labour appears to have had some success already with its implicit population policy, there is some speculation that policies to affect change will be more effective when the population is aware that there is an explicit demographic goal underpinning them (Grant *et al* 2004). For instance France has demonstrated a long-term concern that declining fertility rates pose a threat to its economy. As a result the French have been more open to state intervention in family life than some other European countries, such as the UK or Spain, and there is good evidence that this has contributed to the success of the French Government's pro-natalist policy (*ibid*).
4. The Government's 'back door' population policy has resulted in suspicion rather than support. By explicitly acknowledging the indirect effect its family policies are having on fertility the Government would be able to reap political capital for its achievements, as other governments such as the French and Swedish have done.

5. An explicit, popular and progressive approach to demography that outlines the social justice implications of demographic change would allow progressives to take the international lead in demographic debate, defining new political territory on their own, progressive, terms – forcing opponents on to the back foot and leading public opinion in a progressive direction. It would also supply progressives with the ammunition they need to counter anachronistic attacks on immigration policy and policies that ‘favour’ single mothers.
6. An explicit approach to demography could also reinforce support for traditional progressive goals, such as universal childcare and investment in the early years, which are understood as key to enhancing life chances for children and assisting parents with their work/life balance, and which are already key tenets of Labour’s reform agenda.
7. An explicit approach would facilitate better informed public debate. For example in France academics note the well informed debate in the political elite, among scholars and the public about future population needs and immigration resulting from the Government’s explicit approach to demographic policy (Grant *et al* 2004). In Britain such an approach would allow the Government to make the link between immigration and other demographic issues, presenting immigration in more positive terms, as a solution to some of the problems associated with an ageing society, such as the need for more care workers, rather than a stand-alone phenomenon. It would also mean that the pension debate could be set within a context of broader trends, informing the public about why working longer may be one solution to an ageing society.
8. An explicit approach would be popular – it would allow the Government to respond to rising public concerns and demands for leadership. In Scotland the First Minister Jim McConnell has been forthright in emphasising the importance of declining fertility, arguing that:

‘the challenge is now to counter demographic change ... [Scotland’s] hopes and aspirations will not be met if our devolved government does not act to counter what I believe to be the greatest threat to Scotland’s future prosperity. Population decline is really serious.’ (McConnell 2004)

Far from bringing accusations of nanny-statism or social engineering, this explicit approach has been warmly welcomed by the public and media, and has catalysed think tanks, policymakers and academics to

focus on this issue. It seems that the British public (at least in Scotland) is less hostile than many politicians have feared.

9. Most importantly the Government would have a clear path to tackle demographic trends that may be creating pressures towards greater poverty and inequality in Britain and preventing people from realising their demographic aspirations.

In the subsequent chapters we develop this explicitly enabling approach in relation to three 'wedge' issues: fertility decline, the rise in solo living and migration, showing how a government response can be progressive, popular and successful.

## A Minister for Demography, Migration and Citizenship

The crucial first step is to make certain that an explicit and enabling approach to demography has clear lines of ministerial responsibility: without structural reform, a coherent and holistic strategy may fall by the wayside. As we argue above, one advantage of taking an explicit approach to demographic issues is that it would enable government to project and predict future outcomes, to talk more openly about demography and make clear links between trends. But without ministerial responsibility this would have little policy bite.

Broadening the portfolio of the Minister for Immigration, Citizenship and Nationality would also clearly signal the Government's intention to take demography on as a policy issue in a transparent and accessible way. Such an appointment would have the advantage of enabling a minister to set the terms of debate – any shadow cabinet would be forced to respond in kind if they were successfully to engage in political debate with a Minister for Demography, Migration and Citizenship .

In Australia the shadow minister for population and immigration is a shadow cabinet level appointment. Simon Crean, the leader of the Labor opposition, argues that such a post has the advantage of contextualising the immigration debate, essential in order to counter negative perceptions of immigration (Crean 2003).

The British Minister for Demography, Migration and Citizenship should have a similar role; there would be clear benefits to contextualising the immigration debate in Britain. But the role should be more sophisticated than this: a minister should also have responsibility for identifying emerging challenges and ensuring that officials are aware of the potential demographic effects of policies – crucial in countering the lack of joined-up thinking highlighted in the last chapter. Key new responsibilities should include:

- **Facilitating** co-ordinated demographic policy between departments
- **Auditing** policy in terms of the potential impact on demography
- **Anticipating** the impact of demographic change
- **Advising** on the appropriate policy response
- **Identifying** where there is scope for an enabling approach
- **Communicating** why demography matters to the public and presenting it in a coherent and joined-up way
- **Representing** Britain in an international context

In the next chapter we develop the explicit enabling approach outlined here in relation to fertility trends and illustrate the benefits of a Minister for Demography, Migration and Citizenship. The strategy outlined above would allow government to take a lead in a broader demographic debate – framing demography in progressive terms – with all the advantages listed above.

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## 4 The baby gap

Fertility should be the first demographic problem to be tackled by a minister for Demography, Migration and Citizenship. Not only is it a key social justice issue, but there is strong public concern about a range of problems related to the rate and structure of fertility in Britain, from a looming pensions crisis, to growing childlessness, to the difficulty of balancing work and parenthood to the association between early childbearing and poverty. This chapter will show that there is clear scope for an explicit and enabling policy response: growing numbers of people face barriers preventing them from having the children they planned for, barriers which policy could help them overcome.

Fertility is widely considered to be one of the most important demographic issues, mainly because the fertility rate is inseparable from almost all other trends: the rise in solo living or evolving migration patterns cannot be understood without reference to later childbearing, and an ageing population is the inevitable corollary of low fertility.

2014 will be a record year for fiftieth birthdays. Exactly half a century earlier, in 1964, more children were born in Britain than at any time in recorded history. The second 'baby boom' was at its peak, Cilla Black was top of the pops (twice) and women were having an average of 2.4 children each.

Just ten years later the fertility rate had plummeted to well under two children each; and by 2001 it had fallen to its lowest ever level of just 1.63 (ONS 2005a). If fertility had kept declining, there would have been nearly 2.2 million fewer children living in Britain in 2051 than 2006 – a drop of 20 per cent.<sup>18</sup>

But by 2001, policymakers and demographers had stopped worrying. Just as Cilla Black and *Blind Date* finally disappeared from Saturday night television schedules, fertility had tentatively started to rise: it stood at 1.78 in 2004 (ONS 2005a) and some demographers cautiously expect it to have increased again in 2005. Problems related to declining fertility seemed to have started to recede without any explicit government intervention.

Yet the analysis presented in chapter 1 shows that looking even slightly beyond 2050 reveals that Britain's fertility patterns over the next 20 years will make an enormous difference to future government spending commitments. Policymakers have the chance to steer the UK on a course that

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18 Authors' calculations based on comparison of principal and low fertility variant population projections produced by GAD (2005).

will avoid the problems faced by Italy and Japan – but only if they take an explicit and enabling approach to raise fertility.

Furthermore, taking a closer look behind the simple figures produced by the data analysis presented at the end of chapter 1 (which suggests that fertility trends since 1979 have exacerbated inequality and contributed to rising poverty, particularly for children) raises new concerns and challenges. Underlying patterns that have not been significantly affected by the recent turnaround – such as the systematic association between high individual fertility, early childbirth and poverty, and historically high levels of childlessness – are likely to continue placing pressure towards higher child poverty and reduced life chances for large numbers of children, increases in care dependency later in life, and hundreds of thousands of people being unable to have the families they planned for. This means that fertility is an area that must be central to a holistic progressive response to demographic change.

Although many of Labour's recent policy reforms – such as improved maternity, paternity and parental leave and childcare – are already broadly in line with this enabling approach and may even have had some impact on the fertility rate, Labour's reluctance to link these explicitly to facilitating parenthood has led to a raft of problems. It has severely constrained its ability to articulate a convincing response to anachronistic demands for greater support for traditional families – which would divert resources away from those most in need. And more importantly, the opportunity to reduce the impact of current trends on exacerbating poverty and inequality has been missed.

In this chapter, we start by looking at the underlying demographic trends in more detail and weighing up likely population futures before introducing a new social justice perspective – highlighting the unrecognised challenges that current fertility trends will create unless government is able to respond. We then look in detail at the drivers of current fertility patterns in Britain and their links to other demographic trends, and outline how an explicit and enabling policy approach would play out in this realm.

## Underlying trends

It is well known that fertility went through a precipitous fall during the 1960s and 1970s, followed by a slow decline until 2001. But the relatively simple story presented in chapter 1 hides a much more complex picture, one that is often missing from contemporary debate – the decrease in fertility has been caused by three distinct but related trends. Thus any policy response must be appropriately nuanced.

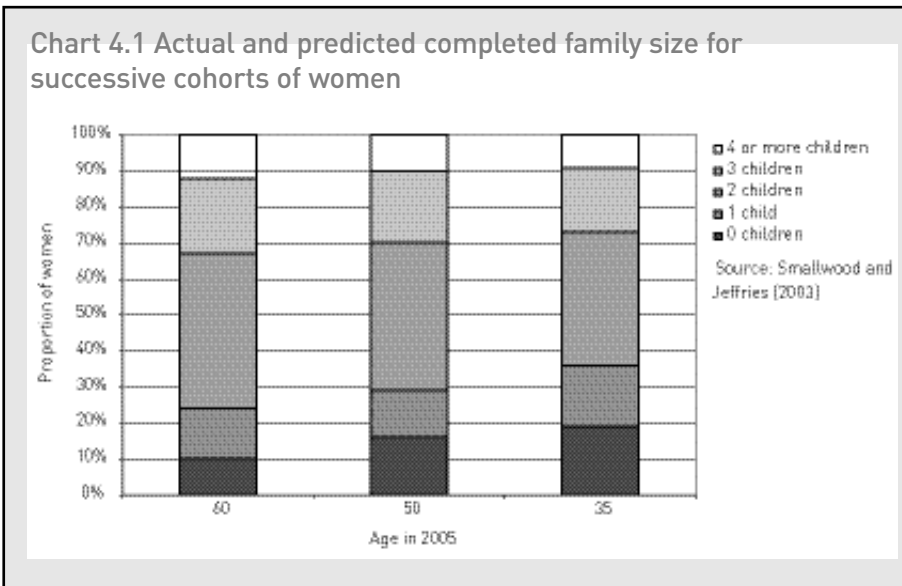
First, growing numbers of women have remained childless by age 45. Perhaps surprisingly, this is by far the most significant underlying reason



why fertility has fallen since the 1970s; the average family size of women who do have children has fallen much slower than overall fertility.<sup>19</sup>

Second, women have been having their first child later in life. In 2005 British women in their early thirties had higher fertility rates than women in their late twenties (ONS 2005a). This means they are less likely to go on to have larger families – in many European countries this inability to ‘catch up’ is the main driver behind low fertility – and also creates a kind of ‘Doppler effect’: as each generation of women postpones childbirth by a little more, the gap between generations expands. Over time, this means that fewer generations are born in any given period and that overall fertility declines – even if every woman has the same number of children on average in her lifetime (Smallwood and Chamberlain 2005).

Third, and least important in terms of fertility, slightly fewer women are having families of four or more children.



These trends can be seen in chart 4.1, which shows completed and predicted family size for three different groups of women: those aged 60, 50 and 35 in 2005. It is particularly striking how sustained these underlying trends are over this 25 year period, and how sharp the rise in childlessness has been: just nine per cent of women age 60 in 2005 had never had children, compared with a projected 22 per cent of women age 35. Even if the

19 The average family size for women who have children was 2.42 for women born in 1945 and is predicted to be 2.33 for women born in 1970. The average number of children for all women has fallen from 2.19 to 1.87 for these two cohorts (Smallwood and Jefferies 2003).

preliminary evidence that the fertility rate has started to turn around, for these older cohorts the future is fairly firmly set; many of the challenges that their fertility history has put in motion will not be affected by future trends.

## Fertility futures

Predicting the future of fertility is notoriously difficult. Demographers have been wildly wrong in the past, which suggests that we should be wary about extrapolating from the recent upwards trajectory in fertility rates without a healthy dose of scepticism: a similar hike happened over a few years in the late 1970s but rates soon reverted to the pattern of decline.

Nevertheless, it is worth looking at the best available projections. Estimates by the Government Actuary's Department assume that fertility will remain at 1.74 for the foreseeable future (referred to as 'stable fertility' henceforth), although variant projections also account for an increased fertility rate of 1.94 ('very high fertility') and a decreased rate of 1.54 ('very low fertility') (GAD 2005). These are the realistic boundaries within which our discussion of potential fertility futures should operate: it is extremely unlikely that we will see a return to replacement fertility levels, last seen in Britain in 1972 (Smallwood and Chamberlain 2005), and these scenarios provide plausible alternative future scenarios.

Looking in more detail, the latest family size projections estimate that 22 per cent of women born in 1990 or later will remain childless – just two percentage points more than the generation born 20 years before in 1970. To put this in perspective, childlessness rose by six percentage points in the two preceding decades, comparing women born in 1950 and 1970.

There are some good reasons to think that this childlessness projection may be optimistic. Although it is very rare for women in their twenties to say that they intend to remain childless throughout their lives, the numbers are growing (Smallwood and Jeffries 2003). And the medical evidence is stacking up against higher fertility: research by Professor Bill Ledger published in June 2005 warned of an rapidly ticking 'fertility time bomb', predicting that one in three couples will have difficulty conceiving within a decade, compared with one in seven in 2005, potentially severely curtailing birth rates (Ledger 2005).

Perhaps just as importantly, current projections do not take into account the impact of recent expansions in higher education, spiralling house prices and historically high levels of student and personal debt. All of these trends would suggest lower fertility and higher childlessness than the official projections estimate: one survey in 2002 showed that a quarter of prospective homeowners planned to sacrifice marriage and a third intended to postpone having children, in order to save up for the deposit on their first property (Future Foundation 2002).

It is clear that fertility will remain at relatively low levels in the immediate future. But it is almost impossible to predict just how low they will be – recent trends seem to contradict projections and the intuitive effect of some socioeconomic developments. The full explanation for this may lie in recent policy reforms, as we discuss below. But for now, it is worth revisiting why low fertility actually matters.

In the press, low fertility seems to be viewed as a military conflict or economic meltdown: headlines talk of an impending population ‘implosion’, ‘baby bust’ and ticking ‘time bomb’. Across the more developed world politicians and commentators have been fretting over the potentially disastrous decline in babies and whether there will be anyone left to fund the pensions of the increasingly immortal ranks of older people. A typical example is the cover of *The Economist* from September 2004, below.

Figure 4.1 *The Economist* cover, 25 September 2004



As we saw in chapter 1, although Britain’s fertility challenge has appeared less pressing than that of a host of other countries, a more comprehensive assessment reveals that unless we can shift current trends we will face similar macroeconomic problems in the near future.

### The new fertility challenge: social justice

These macroeconomic arguments are important in the long term. Yet there are good reasons for progressives to be concerned about fertility in the shorter term too – demographic change has resulted in substantial pressure towards inequality and poverty in the US, Australia, Italy and the UK over the past 20 years. Although current methodology does not allow us to look in detail at which demographic trends have been most important, in the absence of more sophisticated models (which should be developed<sup>20</sup> under

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20 The DWP’s Pensim2 model could theoretically be a basis for this work.

the responsibility of a Minister for Demography, Migration and Citizenship) we need to find other ways of identifying which trends we should care about.

In this section, we focus on two areas in which current patterns are likely to exacerbate poverty, need and inequality, and reduce life chances: first the systematic association between poverty, disadvantage and early and high fertility, and second the link between childlessness, smaller families and care provision.

#### Poverty, disadvantage and fertility

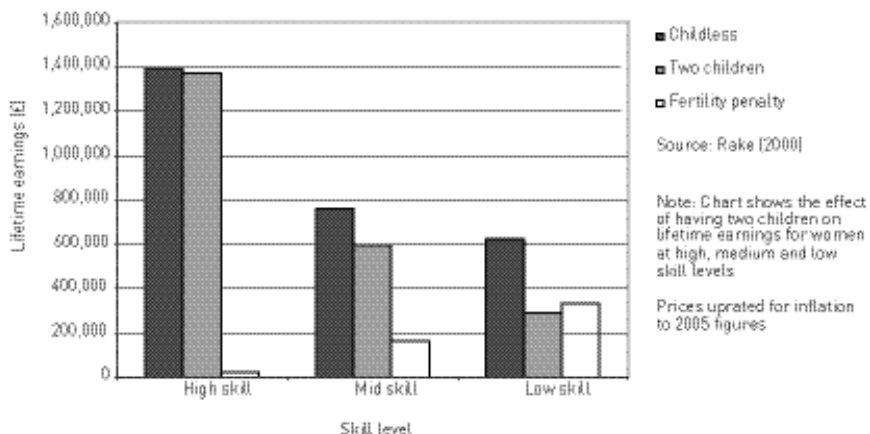
It is well known that in most developed countries poorer women tend to have higher fertility rates (d’Addio and d’Ercole 2005). This is often read as evidence that poverty *causes* high fertility: because better off women have more options to delay adulthood, for example by undertaking higher and further education and embarking on careers that offer greater prospects, they tend to have children later than poorer women, and so end up with smaller families. But another way of interpreting this association is that women who have children earlier, or have larger families, tend to end up poorer – that wanting to have more children earlier in life can severely limit women’s prospects. Both interpretations need to be addressed by policy.

This highlights the stark trade-off that many women face in reality: postponing childbirth, continuing education and/or embarking on a career, or having children early and facing a high risk of limiting their future prosperity. Research published in 2000 shows this clearly: uprated for inflation to 2005 prices, the average mid-skilled woman forgoes £564,000 in earnings over her lifetime if she has her first child at 24 compared with a similarly educated childless woman; if she waits until 28, the amount foregone falls to £165,000 (Rake 2000).

Perhaps surprisingly, this ‘fertility penalty’ is highest for poorer women. The black bars in chart 4.2 show average lifetime earnings for high-, medium- and low-skilled childless women; the grey bars show earnings for women with two children; and the shaded bars show the difference: the ‘fertility penalty’. For low-skilled women this is £334,000 on average – 53 per cent of an average childless woman’s lifetime earnings. This is much higher than the £164,000 forgone by mid-skilled women and the relatively – and perhaps surprisingly – negligible £19,000 forgone by high-skilled women. The evidence is clear: having children early, especially at low skill levels, seriously harms women’s career prospects.

This matters for two important reasons: the first is that it reduces social mobility and increases poverty for millions of women. The second is that it makes child poverty considerably harder to reduce – as child poverty is the result of living in households with low income – with all the detrimental

Chart 4.2 The 'fertility penalty'



effects this entails: as the analysis presented in chapter 1 reveals, demographic change has demonstrably increased child poverty since 1979.

There is cross party consensus that reducing child poverty should be a political priority. Labour has pledged to 'eradicate' child poverty by 2020. Tony Blair famously promised in a speech at Toynbee Hall in East London in 1999 that 'our historic aim [is] that ours is the first generation to end child poverty forever ... It's a twenty year mission but I believe it can be done' (Blair 1999) and both main opposition parties voiced commitment to this at the last general election. Yet it is proving to be a difficult task. Although significant progress has been made and the UK no longer has the highest child poverty rate in the EU, the rate of decline in child poverty appears to be slowing and still remains high by international standards (Dixon and Paxton 2005).

Importantly, the projections made by the Institute for Fiscal Studies, which are widely regarded as the best indicators of the Government's likelihood of meeting the child poverty targets, do not take demographic change into account (Brewer *et al* 2005). Yet demography is likely to be important: on current trends there will be 107,000 fewer children in Britain in 2020 than in 2006 (GAD 2005). This will make the Government's poverty targets – which only take account of the absolute number of children living in poverty (DWP 2003) – slightly easier to achieve than has been previously thought.

This will come as welcome news to the Government. But it raises the question of whether the current measure is an appropriate one: surely we should care about the proportion of children in poverty as well as the

absolute number? On this line of thinking, current fertility trends are likely to exacerbate child poverty, rather than reduce it.

There are two related processes here, both stemming from the fact that women who have children at younger ages are more likely than older mothers to seriously reduce their lifetime earnings, particularly if they are low-skilled. This is at least partly because it is difficult to balance continuing education, labour market participation and childcare.

The first is the 'fertility poverty trap': both men and women can get caught in this trap, although women, especially single mothers, tend to suffer more than fathers. For many young parents, particularly those who start out low-skilled, unemployed or on low incomes, the employment opportunities available to them do not pay enough to cover childcare costs while their children are younger than three years old, even with childcare tax credits. After the birth of a child, many young parents find it difficult to remain in education, or to take up training opportunities, and many take jobs that pay relatively well but offer limited prospects, or drop out of the labour market altogether. The UK has an internationally high part-time wage penalty and women who move from full-time to part-time work are far more likely to have to take a lower status or lower paid job than in many other countries (Manning and Petrongolo 2005). And importantly, childcare tax credits are not available to families who are not working: this may make it impossible to cover childcare costs when applying for jobs or attending interviews, severely restricting employment prospects.

This 'trap' can result in new parents being 'locked out' of the labour market in the future as they have neither the skills nor the experience to progress. Crucially this means that many parents who start out low-skilled or in poverty and have children early, will remain in poverty or on low incomes. And because parents who start their families early often have larger families, declining social mobility means that growing numbers of children are born into poverty.

At the same time, there is a 'fertility postponement trap' faced by women who delay childbearing. Many of those who participate in higher education and/or establish their careers before having children face higher risks of infertility and do not have as many children as they originally aspired to – this point is examined in more detail below (Smallwood and Jeffries 2003). This means that fewer children are born to parents who are relatively affluent.

The challenge here is twofold: to enable high-skilled women to have children at younger ages without harming their careers (if they wish to), and to ensure that lower skilled parents, particularly women, who have children early in their lives are not subsequently locked out of education and the labour market. Achieving both of these would dramatically reduce child poverty rates and numbers; without them, the Government is unlikely to come close to achieving its ambition of eradicating child poverty by 2020.

### Childlessness, smaller families and care provision

A second, often overlooked, implication of current fertility trends is the effect they will have on care provision and demand in the future. Modelling by the LSE for ippr shows that for 43 per cent of the two million older people receiving informal care in Britain, this care is provided by their children (Malley *et al* 2005). This is important because the level of informal care provided has knock-on effects for long-term care services (Pickard *et al* 2000). As the numbers of childless men and women increase, this will lead to greater demand and rising cost implications.<sup>21</sup>

Britain has experienced this once before: women born around 1900 faced greater difficulty in marrying than many other cohorts, largely due to the enormous loss of life in the First World War – there were simply fewer men around. A quarter of this group had no children and a further quarter had just one child. As this group started to need care in their old age, it became very clear that those without children had much poorer access to informal care. As some commentators have suggested, this provides an important lesson that current trends are leading to problems that will ‘surely be worse than [for] the 1900s generation’ (Harper 2004: 21)

We can expect this impact to start being felt just beyond 2030, as childlessness rose rapidly between cohorts of women born in 1945 and 1960 – just nine per cent of the early cohort were childless at age 42, compared with 19 per cent of the later cohort (Smallwood and Jeffries 2003). This group of women born in 1960 will be approaching retirement in the next 20 years and their care needs will start to show through a decade or two after that.

If rates of childlessness remain at their current levels, these will create a ‘care time bomb’ in the not so distant future, dramatically increasing demands on the welfare state and leading to greater social exclusion for many older people without families. Crucially, as we argue below, a significant proportion of these childless men and women did not wish to be so, but have come up against institutional and economic barriers. Enabling future cohorts to have children, if they so desire, would help them meet their expectations and reduce care needs in the future.

This is an area in which an explicit approach – and a Minister for Demography, Migration and Citizenship – would pay dividends: as Farrant argues in chapter 6, successfully articulating the link between migration and staffing future care services should be part of a progressive response to demographic change.

If these strands of analysis are right, it is clear that there could be a role for policy in enabling fertility trends to reduce poverty, inequality, need

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21 The interaction with other demographic trends is also important here, especially divorce and marriage rates, and the gap in male and female life expectancy.

and social injustice, as well as ensuring a more prosperous economic legacy for future generations. But to assess the case for a government role, we need to draw out the issues highlighted in chapter 2 in this more specific context: how can policy be used to influence fertility rates in a progressive way, and is it politically desirable? The evidence presented in chapter 2 is clear: in some cases, in some places, policies aimed at influencing fertility rates have had a demonstrable impact (Grant *et al* 2004, Bradshaw *et al* 2005, d’Addio and d’Ercole 2005, McDonald 2000). Yet it is also clear that population policy is not always progressive – some of the strategies and policies pursued in France, Italy and Singapore may impact on fertility, but would not do so in a way that would be acceptable to a progressive government.

## An Anglo-social response

A progressive response to fertility patterns must be particularly sensitive to the distributive impact of policies – governments have found it is all too easy to end up regressively incentivising the middle classes and ignoring those who need more support. But are there other lessons that Britain can draw from international experience? Research shows that what works in one time and place is rarely directly transferable to another and, after all, the challenge in the UK is not just that fertility rates are too low overall – it is the more nuanced situation of:

1. Too many women remaining involuntarily childless; and
2. High individual fertility and early childbirth being systematically associated with severely reduced prospects.

A progressive policy response must be subtler: it needs to be wary of regressive impacts and it must be tailored to the specifics of Britain’s emerging Anglo-social model and fertility challenges. And, perhaps most importantly of all, it must work with public opinion in an explicit and enabling way.

## The ‘baby gap’

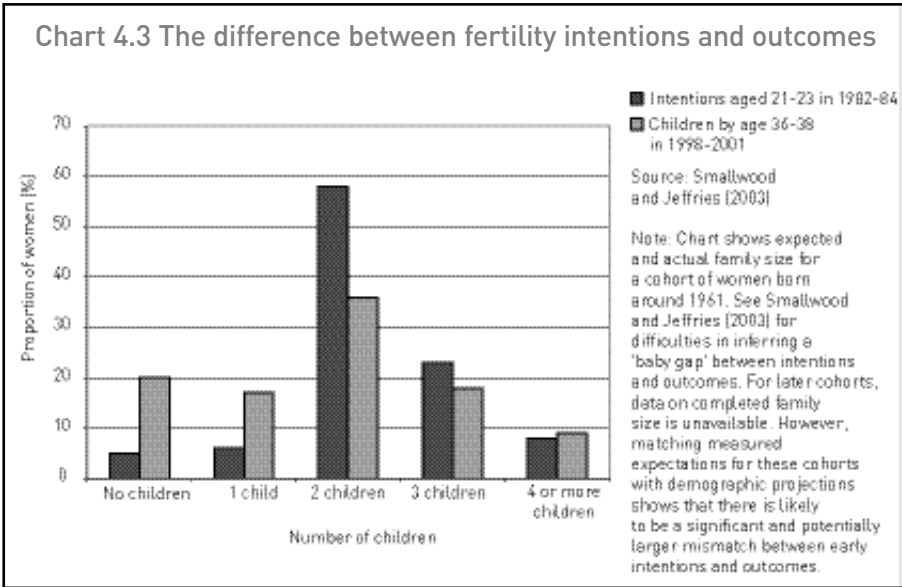
The evidence presented in chapter 3 shows that there is public appetite for an enabling approach to childbearing. Analysis by ippr, building on work by Smallwood and Jeffries (2003), shows that the difference between the number of children twenty-somethings want and the number actually born by the time they are 40 adds up to a huge ‘baby gap’ of more than 90,000<sup>22</sup>

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22 Authors’ calculations. The average expected family size for women aged 21-23 in 1982-84 was 2.25 (Smallwood and Jeffries 2003). This cohort of 400,000 women (GAD 2005) had an average of 1.93 children by age 36-38, resulting in a ‘gap’ of 128,000 children. For the most recent cohort for which data is available (born in 1958) the difference in the average number of children between the ages of 37 and 45+ was 0.09 (ONS 2004: Table 10.2), resulting in an estimated completed family size of 2.02, or a ‘baby gap’ of 92,000.



children, every year, in England and Wales alone. If people were able to have the number of children that they planned for and aspired to at age 21-23, there would be 13 per cent more children every year in Britain and the fertility rate would be well above replacement levels of 2.1. As chart 4.3 shows, far more women<sup>23</sup> are remaining childless than wanted to earlier in their lives, and far more are having just one child.



Of course, people's aspirations change. Some start out with strong convictions that they do not want children but change their minds due to peer pressure, medical reasons or a change in lifestyle. Others find they want fewer children than they initially thought. But the evidence shows that the proportion of women in each cohort who intend to remain childless remains roughly stable from age 18 to 30. It is only after this point that some women appear to modify their intentions (*ibid*), suggesting that barriers to fertility play an important part in changing expectations.

This phenomenon is not a uniquely British experience (Esping-Andersen 2005). Across Europe, there is a huge and rapidly widening 'baby gap' between the number of children people aspire and plan to have, and the number they actually have before the age of 45 (Fahey and Spader 2004, d'Addio and d'Ercole 2005). Yet the British Government is unusual

23 Perhaps surprisingly, men's fertility and family expectations are very similar to women's. Since the data is more robust for the outcomes of women's intentions, this section will present data for this group, although similar patterns can be seen for men. For an overview see Berrington (2004).

in remaining almost silent on the issue of fertility, as seen in chapter 2. This is becoming increasingly anachronistic: there is a growing realisation that something needs to be done to help people meet their expectations of family life and in some ways, the baby gap has changed popular culture. The 'Bridget Jones generation' is a mainstay of newspaper journalism and there are perennial stories and reports on the difficulty people have in finding a suitable partner, or in reconciling their career and their biological fertility. Nearly ten stories a week appear in the press about declining fertility. 'Speed dating' has grown from a minority pursuit to a mainstream activity, and Britain's largest online dating agency boasts of more than three million members (Datingdirect.com 2005).

The challenge is a pressing one, partly because the policy responses to fertility rates are so different across the political spectrum. For example, some elements of the political right have called for promotion of marriage above other forms of cohabitation to increase fertility (Morgan 2000, O'Neill 2005). These recommendations should be resisted by progressives: focusing support on traditional family types regardless of need skews much-needed resources towards those who need them less, and is unnecessarily morally prescriptive – telling people how they should live, rather than enabling them to choose. And the evidence suggests that they might be counterproductive: Italy and Spain – countries with traditional family and gender roles – have much more pressing demographic challenges than more permissive countries such as the UK, Sweden or Denmark.

## A progressive policy approach to fertility in Britain

The key to a nuanced and effective policy response to current fertility trends is in understanding the drivers behind changing patterns. One important factor is undoubtedly the structure of existing policy: the gradual accumulation of decades of incremental reform with no analysis of its demographic effect has led to what is effectively an *implicit fertility policy*. There is not space here to carry out a (much needed) comprehensive assessment of the impact and coherence of current incentives on fertility behaviour. The drivers underpinning fertility patterns are much better understood than those affecting other demographic trends, partly because governments in other countries have made responding to fertility a political priority, and we are able to draw out relatively detailed policy prescriptions based on this international evidence. The rest of this chapter will focus on two main areas where policy should play an explicit and enabling role as part of a holistic approach to demography: informing public attitudes and reducing the 'opportunity cost' of children, with a particular focus on gender equality. We look at these in turn below.

## Informing public attitudes

People's attitudes have always been seen as crucial to their fertility behaviour. George Orwell even blamed the British cult of pet worship for the falling birth rate over the previous decades, writing that 'Britain today has a million and a half less children and a million and a half more dogs than in 1914' (Orwell and Angus 1968 (3): 49).

Fast-forward to the present day and the change in public attitudes to family life and fertility could not be more marked: the last few decades have seen an astonishing array of fundamental shifts in the ideals and aspirations of British people. Some theorists argue that we have now entered an age of 'post-materialist values' in which people live more individualistic lives and prioritise personal freedom, choice and expression over conforming to traditional social or religious expectations (McDonald 2000). Myriad factors are seen as underlying this shift, all of which have given people greater financial and social independence – including improved access to education; easier and more convenient contraception, divorce and abortion; and greater opportunities in the labour market, especially for women (Coleman 1999, Castles 2002, Bradshaw *et al* 2005).

There is a great deal of plausibility in this, admittedly sweeping, sociological assessment. But it is less obvious that this evolution in attitudes must automatically result in dramatically altered fertility patterns, come what may. Although an increasing (but still tiny) proportion of women say that they do not ever want to have children (Smallwood and Jeffries 2003), the size of the baby gap in Britain stands as testament to the fundamental mismatch between fertility aspirations and achievement.

One reason may be that many women start trying to have children too late in life. One in twenty women aged 36 to 38 are still planning to have their first child (Smallwood and Jeffries 2003); a significant proportion of these will be unable to, and those that do will experience much higher risks of a range of health problems. Data from the United States shows that, compared with women age 20, the risk of miscarriage increases by 50 per cent for women aged 42, the incidence of Down's syndrome is 14 times higher for births to women aged 50-54, and other chromosomal abnormalities are more than four times as frequent for women aged 40-54 (NCHS 2003), although none of these risks is markedly high.

The scale of unachievable postponement, combined with rapidly increasing levels of medical infertility, may escalate IVF costs hugely. Although the NHS currently offers one cycle of IVF treatment, many couples pay more than £5,000 for private treatment for further cycles and there has been a gamut of recent reports on the growth of 'reproductive tourism' in which people travel abroad for fertility treatment (see figure 4.2).

‘Desperate for babies? Welcome to a Disneyland for the childless’  
(Times 2005)

The problem here is partly lack of public awareness. Despite repeated media warnings of women facing a fertility cliff edge in their late thirties, it seems that many women simply do not believe they will be unable to have children later in life; the example of Adriana Iliescu, who claims to have been 66 when she gave birth in 2004, is all too convincing. Although life expectancy is rising rapidly, the average age of menopause remains firmly static, as Professor Tom Kirkwood noted at an ippr seminar in 2005.

This somewhat ostrich-esque attitude to biological fertility limits is not limited to the menopause. Part of the reason that Professor Ledger has assessed that medical infertility is rising is the relative ubiquity of some sexually transmitted infections, particularly chlamydia (Ledger 2005). Although the latter is easily and painlessly treatable, because it often shows no symptoms many carriers do not realise they are infected. Recent public awareness campaigns do not seem to have got the message through.

Standard policy solutions to these problems exist and are being implemented. But there are two significant drawbacks to the current approach: first, there is no standard framework to assess the efficacy of interventions that aim to influence young people’s sexual behaviour (King and Marston forthcoming); this makes it impossible to evaluate properly the merits of different approaches and thereby improve services. And second, there is almost universally poor access to sexual health services: although £300 million was earmarked in November 2004 to tackle rising levels of sexual infections, a recent survey found that the average waiting time for an NHS sexual health appointment was 15 days in 2005 and just 27 per cent of clinics offered a ‘drop in’ service, with huge regional variation (Panorama 2005).

Universally available and conveniently accessible drop-in services would make a significant difference to infection rates and could represent a long-term cost saving if they reduce the demand for fertility treatment in the future. This is a clear example of how a holistic demographic perspective that evaluated the impact of current policies – as recommended in chapter 3 – could alter political priorities. So too, a Minister for Demography, Migration and Citizenship would provide a better platform to talk about fertility in a joined-up way and to make the explicit link between sexual health and growing involuntary childlessness.

## Reducing the ‘opportunity cost’ of children

Children are expensive. Research from 1998<sup>24</sup> estimates that a child costs at least £65,000 from birth to age 17, and some estimates place the minimum

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24 Updated for inflation to 2005 prices

cost anywhere between £90,000 and £180,000 before luxuries and one-off items are taken into account (Middleton *et al* 1997, Davies and Joshi 1998, Liverpool Victoria 2005). To put these figures into context, this is anywhere from three to ten times the median annual disposable income for a childless couple<sup>25</sup> in 2005.

Yet even these figures do not fully reflect the cost of having children, particularly for women. As discussed above, there is an enormous 'fertility penalty' to women's lifetime earnings associated with childbirth. This is partly because women often return to work at lower pay levels: 28 per cent of women return to work in a lesser paid job than they were in before giving birth. For some types of employment these figures are much higher – 36 per cent of secretaries and 50 per cent of skilled manual workers experience this transition (Walby and Olsen 2002). A huge proportion of women are working at well below their capabilities, to their – and society's – detriment: more than 40 per cent of women working as unskilled manual workers after childbirth had previously been working in higher paid jobs.

Some parents, again predominantly women, drop out of the labour market entirely. While for many of these this is a freely taken choice – as they can afford to be supported by their partners – for others it is the result of being unable to find suitable employment. Research shows that it those who are least skilled who are most likely to face this barrier: women who drop out of the labour market after childbirth tend to be less qualified than those who remain in employment (*ibid*).

Why do women seem to suffer this 'fertility penalty' to so much greater an extent than men? There is a host of reasons, some cultural and some economic. Two of the most important are the persistence of the gender pay gap – women's median hourly pay was 86 per cent of men's in 2005 (ONS 2005b) – and the unequal share of domestic tasks that women perform. In 2000, men spent an average of 140 minutes a day on domestic tasks compared with women's 240 minutes; women were also 50 per cent more likely to do ironing and laundry (ONS 2000). Because of these enduring gender pay and care gaps, it often makes more financial sense for women to leave employment to take on care responsibilities after childbirth rather than men, particularly in low income households – which in turn exacerbates and reinforces the pay gap. This means that securing equity between men and women in their work and home lives must underpin any reforms. As long as the division of labour in the domestic sphere is so unequal, women will continue to participate in the economy and politics with one hand tied behind their backs.

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25 The median-equivalised net disposable income for a childless couple was £17,456 in 2005 (DWP 2005)

The challenge for policy is to reduce the ‘fertility penalty’, by ensuring that people are able to meet their demographic aspirations without reducing their prospects. This enabling approach would meet the combined policy challenges of enabling higher skilled women to have children at younger ages without harming their careers (if they wish to), and to ensure that lower skilled parents, particularly women, who have children early in their lives are not subsequently locked out of education and the labour market.

An explicit and enabling policy response to Britain’s fertility challenges should focus on improving childcare provision and parental leave – this is the most cost effective way to reduce the ‘fertility penalty’ and help people meet their demographic aspirations in a way that would reduce future poverty, inequality and care needs. The ‘fertility penalty’ is as much as four times lower in Denmark – with good childcare provision and low gender pay gaps – than it is in Spain (Esping-Andersen 2005). As noted in chapter 2, the ten year strategy on childcare does briefly make the link between fertility and childcare, albeit in a cautious and tentative way (HMT 2004). The challenge is to present reform in a more open and explicit way – as a response to popular demand and the 100,000 strong baby gap revealed earlier in this chapter – to be most effective and catalyse progressives taking the lead on demographic issues.

Any childcare reform needs to tackle four problems with current provision: very variable and often unacceptably poor quality; inadequate supply; a lack of affordability; and limited flexibility (Pearce *et al* 2005, Buchanan *et al* 2004). The key policy reforms should be:

- Improved quality of care and more fundamentally improved training for early years staff.
- Free part-time care as an entitlement for all children.
- Means-tested full-time provision of childcare.
- Supplying services through a government-subsidised mixed market and moving away from demand-side measures such as tax credits.

These changes need to be delivered in the context of improved entitlements in maternity, paternity and parental leave. Without further reform, fathers will continue to take a considerably smaller role in their children’s upbringing and care than mothers. In 2005, just one in six fathers in Britain took their two weeks’ paid paternity leave at the statutory rate (Thompson *et al* 2005). In Britain men can also take 13 weeks’ paternity leave on a ‘use it or lose it’ basis although this is unpaid. The evidence suggests that increasing paid paternity leave would help engender a cultural shift. In Norway, the introduction in 1993 of a one-month period of paid parental leave assigned to men in two-parent families on a ‘use it or lose it’ basis changed men’s behaviour: most men now consider it a matter of course to use at least part

of this allotted leave, and take-up in 2003 was 80 per cent (Fagnani and Houriet-Segard 2004).

Having fathers taking a greater role in care for their children is important for at least three reasons. First, greater involvement can be beneficial for children's development (Lewis and Lamb 2003). Second, more equitable division of care responsibilities at home, as well as to be desired in itself, may also help close the gender pay gap as women take less time out of the labour market and are not automatically assumed by employers to take on full care responsibilities (Stanley 2005). And third, it would help people meet their aspirations: most men would like to take more time off to bond with their child (*ibid*). There is also some evidence that better paternity leave may boost fertility: Danish fathers, who are involved in caring for the first child are much more likely to have a second child (Esping-Andersen *et al* 2005).

Although the recent measures announced in the 2005 Work and Families Bill – such as the new entitlement for fathers to take paid leave to care for a child and measures to widen the scope of the existing law on flexible working – are to be welcomed, they do not go far enough. The next stage of reform should be as recommended by Stanley (2005):

- Increasing paternity leave pay from £106 per week to 90 per cent of earnings and extending the period of paid leave from two to four weeks.
- Introducing pay for the current unpaid 13 weeks parental leave. This would include a 'daddy month' – at least four weeks specifically allocated to fathers on a use it or lose it basis.
- Supporting the development of information and support services for fathers at key transition points, notably in perinatal services and during separation.
- Developing couple relationship support training and training around working with men and fathers in social worker, health visitor and perinatal training and development.

A further set of reforms should focus on improving employment progression and training prospects for parents:

- If the Employment Retention and Advancement (ERA) pilot – which is currently directed at individuals in three low-income groups known to have difficulty retaining jobs or advancing to better positions in the labour market – proves to be a successful policy, there are possible extensions to it that could help encourage progression on a wider basis. For example, Jobcentre Plus could set clear targets for retention and wage progression, over a much broader category of clients than those who are eligible for ERA – particularly parents returning to work within

two years of childbirth. The targets could be included in measures to improve career plans for those who leave benefit, with personal advisers to back up the agreed measures. Once again, this policy should be piloted and evaluated to make sure it is effective before the Government commits to it on a national basis.

- In the short term, better information, advice and guidance should be made available to currently low paid parents of children under five. The DWP and DfES should encourage closer links between LearnDirect and the Sector Skills Councils in developing structured career plans for low-skilled entrants to industries. And partnerships with the private sector could be encouraged (building on the success of the Employment Zones scheme) to provide continuing support to parents who have returned to employment.

These policy reforms are broadly in line with the existing political agenda although they are more ambitious than current proposals and would cost an extra 1-2 per cent of GDP. One difficulty in advancing this agenda has been in making the political case for further reforms that benefit parents and children: an already much favoured group. An advantage of this explicit link to demography would be in providing an additional and important justification for prioritising this group, one which emphasised the benefits of these reforms for the population as a whole.

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## 5 Going solo

The rise in solo living is one of the least understood and most fascinating demographic trends of the 21st century. Newspapers oscillate between reportage saluting the army of empowered Bridget Joneses and alarmist commentary questioning the implications of an increasingly atomised society. Policymakers have focused in turn on the challenges for housing policy, the care implications of living alone in old age and the links to social isolation and social exclusion, and the gendered nature of this experience.

Although they are beginning to get a handle on the implications of living alone at old age, policymakers have yet to fully capture the implications of solo living among the working age population. And few governments have viewed changes in household composition as a key demographic challenge when devising population policies or strategies, tending to focus instead on trends in fertility and immigration (Grant *et al* 2004, d’Addio and d’Ercole 2005, Caldwell *et al* 2002). There is nonetheless a burgeoning perception that rising solo living has the potential to transform modern societies.

This chapter reveals that neglecting the rise of solo living in Britain would be a mistake. Responding to it should be central to an explicit and progressive response to demographic change for three reasons. First, a body of evidence links rising solo living to declining fertility. Second, our analysis indicates that this trend may be exacerbating inequality, poverty and certain existing challenges. And third, many people appear to be living alone against their wishes.

We start by analysing the demography of solo living and the sociological and economic shifts that have underpinned this trend, before focusing on living alone in old age. The second half of the chapter examines solo living among 24- to 44-year-olds.

### Two trends in solo living

Seven million people – 12 per cent of the population – were living alone in Britain in 2004, nearly four times more than in 1960 (ONS 2005a), and the numbers are predicted<sup>26</sup> to keep rising: by 2021 there will be 8.7 million single person households in England alone, 1.5 million more than in 2001 (Holmans *et al* 2005). Recent research suggests that less than half of those

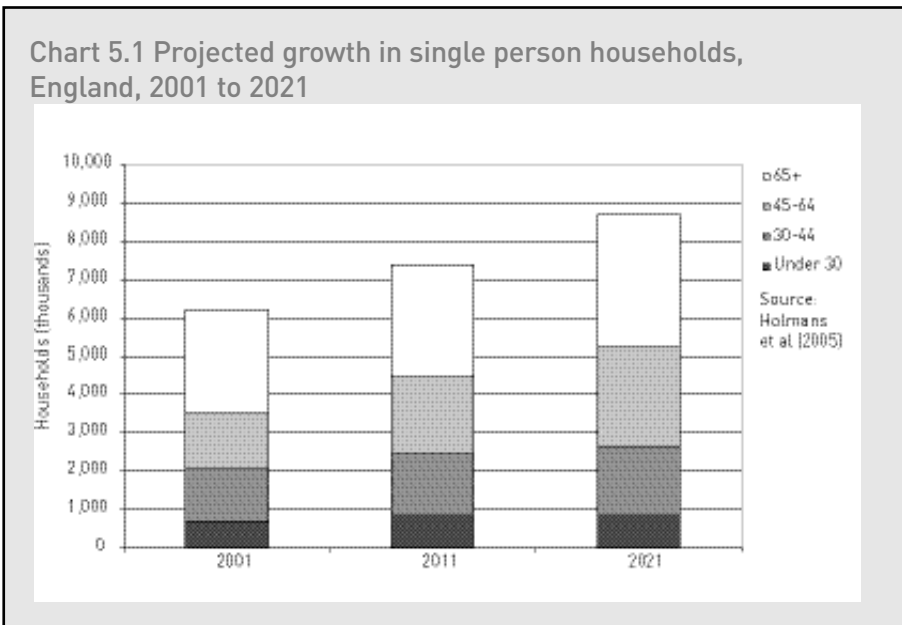
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26 ODPM will publish detailed projections later this year.

who start living alone will ever live with other people again (Smith *et al* 2005a).

These headline figures tell a powerful story. But they hide two fundamental shifts in the demography of solo living that have taken place over the last three decades. Living alone used to be the almost exclusive preserve of older women. Yet growing numbers of men are now living alone in later life.

A second shift is that increasing numbers of younger people – especially men between the ages of 25 and 44 – are living on their own. Although the overall proportion of people living alone has nearly doubled since 1973, the number of men and women aged between 25 and 44 has increased nearly six-fold in the same period (Summerfield and Gill 2005, GAD 2005). And recent projections estimate that solo living at younger ages will continue to grow (Holmans *et al* 2005), as shown by chart 5.1.



These two shifts have importantly distinct causes and create different challenges for policy. We discuss these in turn.

### Solo living in older age

Historically the most common reason for living alone in old age was the death of a spouse. Although this is still an important driver, we are beginning to feel the impact of profound sociological changes that have taken place over the last 40 years. Divorce rates have risen rapidly over the last 50

years, while marriage has become less common and remarriage more so. In 1960 there were just 26,000 divorces but by 2003 there were more than 160,000 – more than six times as many. At the same time marriage rates have fallen sharply from a peak of 480,000 in 1972 to just over 300,000 in 2003 – nearly two thirds of which were remarriages (Summerfield and Gill 2005).

Although cohabitation has become more common, these two trends have meant that fewer people are approaching pension age as part of a couple. And rapidly increasing life expectancy has meant that many of those who continue to live alone after pension age are doing so for longer. As the population ages, the number of people over 65 living on their own is projected to rise from 2.7 million in 2001 to 3.5 million in 2021 (Holmans *et al* 2005).

A second implication is that solo living in old age is becoming less feminised: when the transition to living alone was predominantly caused by the death of a spouse more women lived alone. As the gap in life expectancy between men and women has reduced (GAD 2005) more men are living alone in old age, although there is still a large gap – 73 per cent of people over 65 who lived alone in 2003/04 were women (Summerfield and Gill 2005, GAD 2005).

To its credit, the Government has emphasised the positive contribution that older people make to society. As the Prime Minister stated in 2005, ‘society will increasingly depend upon the contribution they can make’ (DWP 2005a: iv) and policy has focused on including older people through emphasising values of active independence,<sup>27</sup> quality and choice (*ibid*).

But the Government has also been quick to recognise that these shifts bring important policy challenges, particularly in combating social exclusion. Policy has been most effective in combating disadvantage related to age and income but has fared less well in tackling exclusion stemming from other factors, such as access to public services and care, or neighbourhood problems, and it seems that the needs of older people are too often neglected in urban regeneration schemes (Phillipson and Scharf 2004).

### Pensioner poverty and solo living

Reducing pensioner poverty has been a central ambition of the Labour Government, with the Chancellor stating in 2002 that ‘our aim is to end pensioner poverty in our country’ (Brown 2002). There has been considerable success in this area as reforms such as the introduction of pension credit and the minimum income guarantee have helped cut the proportion

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27 It is worth noting that people's conceptions of independence alters with age and that older people often emphasise the importance of remaining in their own home and maintaining personal mobility. See Godfrey *et al* (2004).

of pensioners in poverty from 27 per cent (on an after housing costs measure) in 1994/95 to 20 per cent in 2003/04 (DWP 2005b). But have reforms helped those living on their own as much as pensioner couples?

Perhaps surprisingly, single pensioners are less likely to be in poverty than pensioner couples (*ibid*). But they are more likely to be dependent on benefits: on average, 61 per cent of single pensioners' income came from benefits in 2003/04 compared with 42 per cent of pensioner couples' and more than twice the proportion have no income on top of benefits (DWP 2005c). This is largely because single pensioners are more likely to be women, and the current structure of the pensions system, which is based on anachronistic assumptions about family structure (Pensions Commission 2005), does not grant entitlement to women who take time out of the labour market to care for children or parents, or for other reasons. Thirty-two per cent of the average pensioner couple's income comes from occupational pension schemes, compared with 21 per cent of single women pensioners' and there are concerns that a current cohort of divorced women – who have not remarried – currently approaching retirement will face substantial disadvantage as a result (Arber and Ginn 2004).

Pension reform that gives fair entitlements to women for caring work is long overdue and would help tackle the challenge raised by growing numbers of older women living alone (Robinson 2005, Brooks *et al* 2002, Pensions Commission 2005). A second challenge is ensuring that take-up levels of means-tested benefits improve: although there have been recent improvements, approximately 1.25 million pensioner households were not claiming the pension credit they were entitled to in May 2004 (DWP 2004) and take-up remains between 73 and 83 per cent (Pensions Commission 2004). Unfortunately, due to data limitations it is impossible to say whether take-up differs between household types and whether older people living alone need more support in this area (DWP 2005d).

#### A second care 'time-bomb'

In chapter 4 we argue that current levels and patterns of fertility will lead to greater requirements for care in 30 years time and beyond. If this seems too far off to be of great concern, policymakers should be cognisant of a similar pressure resulting from increasing rates of solo living in later life (Malley *et al* 2005). Although life expectancy free from serious disability is increasing, so too is the incidence of more minor disabilities (Rankin 2006) and the number of households receiving intensive home care per thousand aged 65 and over has increased steadily since the baseline – 11.1 per thousand in 2003/04, up from 7.9 per thousand in 1998/99 (DWP 2005e). Older people living on their own are unable to rely on a spouse to provide care and often require greater support from their families or public services.

An emerging concern is the cohort of men currently aged 45 to 64. Nearly double the number of men in this age group lived alone in 2001 than in 1986 – a period of just 15 years – and the implications of this shift are just starting to manifest. The worry is that this generation is more likely to be socially isolated from family and friends, more likely to engage in risky behaviour, such as smoking and high alcohol consumption, and is less likely to take care of their health than other groups of older men (Arber *et al* 2003, MINTeL 2003). They are both more likely to need informal support and care, and less likely to be able to call on friends or family to provide it. Between 2000 and 2004 older men were more than twice as likely to die at home alone, without any family or friends to make arrangements or cover funeral costs (Burstow 2005).

### Responsive public services

The challenge here is to enable older people living alone to do so with the greatest degree of independence possible (Rankin 2006), an ambition that underpins existing policy and ongoing reform processes. Two important developments have been the introduction of direct payments and individual budgets – both of which give people more control over the commissioning of their care, for example by employing a personal assistant – and growing ‘user involvement’ in public services.

Research shows that users value the flexibility and improved quality of life this approach brings (Rankin 2006) and it has widespread support among the current generation of 50 year olds (CSCI 2004). But it appears to be less popular with existing pensioners. Take-up has been very low for both direct payments and individual budgets: four years after their introduction in 2000 just 6,300 older people – of an eligible one million – were recipients of direct payments (DWP 2005a).

If these models of service delivery are to become more widespread then government needs to tackle the culture of those local authorities that have been reluctant to encourage take-up (Riddell *et al* 2005, Carr 2004, Stainton 2002). Key measures should include promoting best practice from high performing councils, and the Government should consider introducing a statutory duty on local authorities to provide assistance to use direct payments and individual budgets (Rankin 2006).

Greater user involvement should also be welcomed but the potential for a ‘two-tier’ service to develop – in which users with greater confidence and opportunity to choose receive innovative services while those without receive unimaginative mass-produced ones – needs to be recognised and responded to (Farrington-Douglas and Allen 2005). A commendable initiative here is the recently introduced Link-Age service which brings the Pension Service, local authorities and in some cases the voluntary sector into strategic and operational partnerships to deliver joined-up services



locally (DWP 2005a). Pilots of a Link-Age Plus service, which aim to involve older people more centrally in the design of the services they receive, offer easy access in terms of location and opening times, and focus on promoting well-being and independence, should be rolled out if successful.

This brief overview only begins to scratch the surface of the many policy initiatives that are informed by and responding to growing numbers of people living alone at older ages.<sup>28</sup> Although significant challenges remain, the reform process is discernibly heading in the right direction. But there are still gaps, particularly in our understanding of the interplay between demographic trends such as low fertility, solo living and increased longevity and how this plays out in terms of service and care demands (Malley *et al* 2005). Under the auspices of a Minister for Demography, Migration and Citizenship, policy would better anticipate the scale and subtlety of many challenges, such as future care requirements.

### Solo living at younger ages

Although the bulk of those living alone will remain above pension age, growth is also predicted in the 25 to 44 age group. If the importance of shifting patterns of solo living in old age is relatively well understood, the opposite is true for solo living at younger ages – the implications of this new aspect remain opaque at best. This section identifies new areas for research and aims to inject fresh thinking into the debate about the implications and appropriate responses to solo living among the working age population.

Not only is solo living continuing to grow at younger ages, there is evidence that it is now becoming a more permanent way of life than it once was, particularly for young men, as people spend longer periods alone than they used to. The proportion of men aged 25-34 living alone who had been doing so for a decade or more doubled between 1981 and 1991 from 14 to 28 per cent (Chandler *et al* 2004).

There is a complex interplay between solo living earlier in life and other demographic trends. First, increased solo living is likely to be one important factor behind low fertility levels, as more young people see living alone as an important life stage between moving out of the parental home and family formation (Lewis 2005). Delaying family formation tends to reduce fertility (Esping-Andersen 2005a, Smallwood and Chamberlain 2005). A further trend in solo living is that more couples are choosing to 'live

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28 See Phillipson and Scharf (2004) for a more detailed overview of the impact of policy on the social exclusion of older people.

together apart': ippr's research found that 12 per cent of people living alone are in a relationship that has lasted for more than two years yet, unlike earlier generations they have not chosen to take the step towards cohabitation (Lewis 2005). Again this may impact on decisions about family formation and childbearing.

Second, internal migration patterns are significantly affected by this trend. People living alone tend to be more geographically mobile than families (Jarvis 1999, Hall *et al* 1999) and as the numbers of those living alone grows, this may impact on labour markets and regeneration efforts, especially if the more affluent single person households leave deprived areas. Solo living, then, should not be conceived merely as a stand-alone trend, but as a key part of continuous and interrelated demographic change.

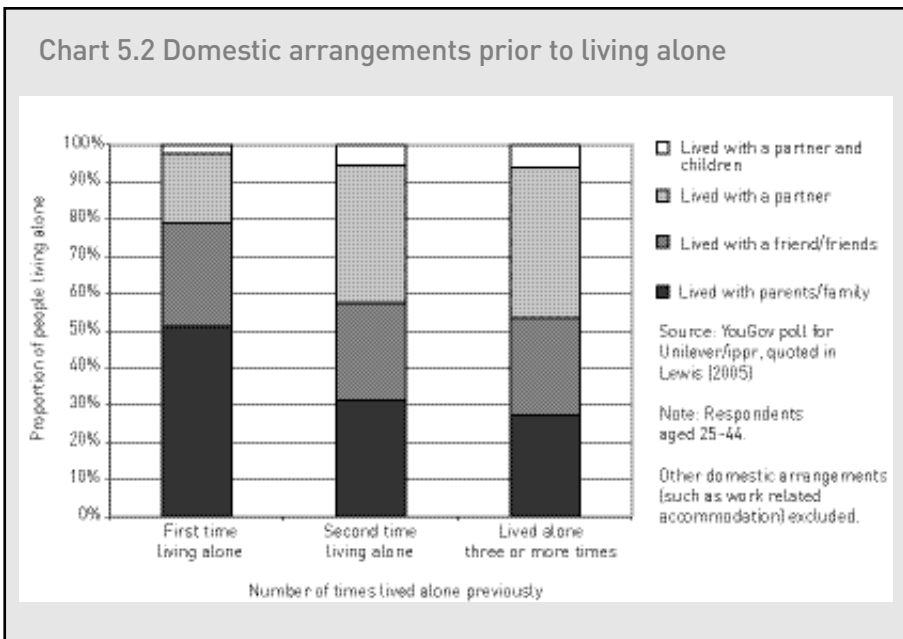
But what underpins the trend to live alone? Researchers have linked it to a wider set of sociological and economic shifts over the last three decades, none of which looks set to be reversed. Research shows that the decision to live alone, particularly for young middle class women, is often a positive lifestyle choice (Lewis 2005), and academics have found that this may be due to increased female financial independence. As more women enter the labour market and are financially independent from a young age this will affect their decisions about household formation – more choice is available to them than simply living with parents or marrying (Hall *et al* 1999, d'Addio and d'Ercole 2005, Grant *et al* 2004). Commentators and researchers have also pointed to changing social attitudes and the growing importance of individual choice, perceived independence and freedom in many people's lives (McCarthy and Thomas 2005). And people living alone are often quick to point out that it gives them much of the freedom they desire (Lewis 2005).

Another shift underpinning this trend is the perceived extension of adolescence. In today's society British children grow up fast: pundits point to the proliferation of sex tips for ten-year-old girls in certain magazines, the emerging 'tweeny' market and the growth of beauty salons for six-year-olds. But at the same time Britain's twenty-somethings seem to be postponing many traditional indicators of adulthood, entering into the labour market at a later age, remaining in education for longer, delaying parenthood and avoiding marriage (Morrow and Richards 1996, Bynner *et al* 1998, Makepeace *et al* 2003). Commentators have labelled these groups anything from 'basement boys' (Sunday Times 2004) – referring to boys in their twenties who leave home late in life – to the 'ipod generation' (Bosanquet and Gibbs 2005).

Growing numbers of today's young Britons – especially men – live at home until their mid-twenties (58 per cent of British men aged 20-24 and 24 per cent of those aged 25-29 were still living with their parents in 2004 compared with 39 per cent and 12 per cent of women (Summerfield and

Gill 2005)). Many of these may then find themselves without partners or friends at a similar life stage and are effectively forced to live alone, or else positively choose not to cohabit. Hence solo living may be seen as a way of delaying the transition to adulthood. The question is whether some young people need more support in order to manage the transition to adulthood than others and if there is a role for government in assisting them. Worrying for this group is the evidence that so many of them may never cohabit, even though most may expect to (Lewis 2005).

Those living alone form a heterogeneous mix, but include some distinct groups. One critical distinction is between people living on their own for the first time and those who are returning to it. Chart 5.2 below compares people’s domestic arrangements prior to living alone for three groups of people aged 25 to 44: those living alone for the first time, second time, and third (or more) time. There are some clear differences: those who are new to solo living are much more likely to have lived with their parents or family just previously, whereas those who are returning to it are more likely to have cohabitated with a partner and/or children.

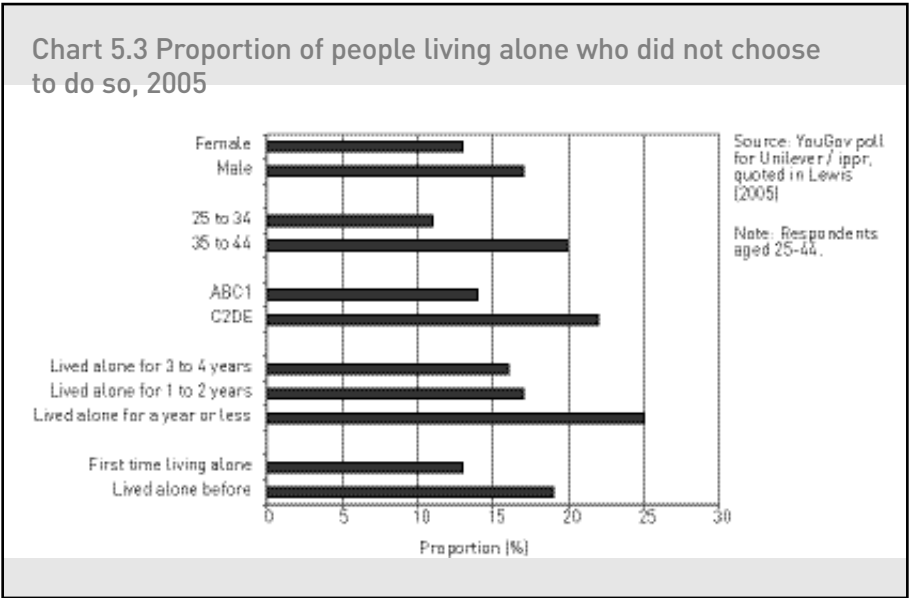


This points to a significant difference between people who may leave their parents or family to live alone by choice – to take advantage of the independence and freedom this entails – and those who end up living alone ‘involuntarily’ as the result of relationships breaking down, friends moving out or, for younger groups, being forced to leave the parental

home<sup>29</sup> (Shelter 2005, SEU 2005). This distinction is often overlooked in policy terms but it should be fundamental to an enabling approach to solo living.

Despite the often-trumpeted benefits of living alone, for hundreds of thousands of people it is their second or third preference; in focus groups people talk about how they came to be living alone because they had no other options following a relationship breakdown, or when friends started living with partners, particularly in their thirties and forties (Lewis 2005). An explicit recognition of this phenomenon, combined with policies to support people in relationships, facilitate communal living and help people through the sometimes difficult transition to solo living, could be a popular response.

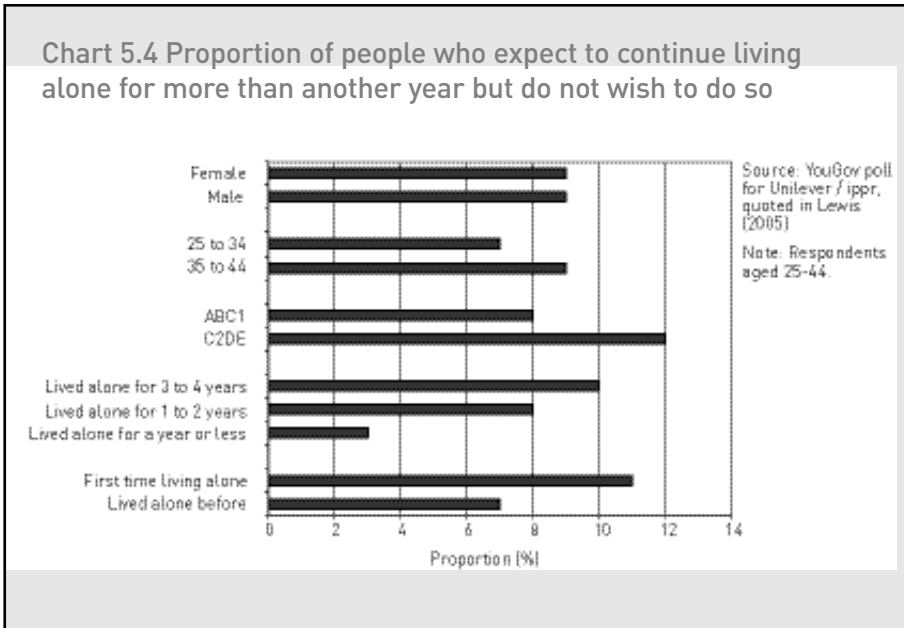
In ippr's 2005 poll, 14 per cent of people living alone said they had not chosen to do so (ibid). As chart 5.3 shows, this revealed important differences between groups of people living alone: men are more likely to say they did not chose to live alone, as are those who have lived on their own for less than a year, older people, those who have lived alone before, and those in social classes C2DE.



It is one thing to live alone when you might not have chosen to in an ideal world. But it is another to feel ‘trapped’ into solo living. Twenty-one per

29 ippr's poll was restricted to those aged 25 to 44 and therefore did not reveal the views of younger people living alone, many of whom may have come to live alone involuntarily and require greater and nuanced support.

cent of those living alone aged between 25 and 44 said they did not want to live alone for more than a year from the time of interview but expected to do so (Lewis 2005). Once again, there are important differences between groups, as shown in chart 5.4 below – although these are subtly different to those revealed in chart 5.3: there is little difference between men and women, and those who have lived alone for longer or more times in the past are more likely to think they will carry on living alone longer than they want to. But there are some similarities too: younger people are less likely to live alone against their wishes, as are those in social class ABC1.



Deciding whether to live alone is not a trivial matter. Many people find the transition to solo living extremely difficult and a cause of genuine unhappiness as it often comes at a time of considerable stress in people’s lives – when they are coping with the repercussions of a relationship ending, children moving out of home or bereavement. In one large survey in 2005, more than 35 per cent of people who started living alone said that they were more depressed or unhappy than a year before, and 14 per cent reported being much more so – compared with 17 per cent and four per cent (respectively) of those who had lived alone for some time (Smith 2005).

The scale of this rise in involuntary solo living has never been measured before. It is only relatively recently that commentators have started to discuss this involuntary aspect in detail. Headlines are beginning to

tell the stories of people living alone against their wishes – with a particular emphasis on men. Although the media often confuses *being single* (in terms of marital status) with *living alone*, the reportage reflects what is likely to be an ongoing interest in solo living as the numbers steadily increase.

‘Single and sick of it: meet Bruce Jones’ (*The Times*, 2005)

‘Age of the singleton’ (*Daily Telegraph*, 2005)

The question for government is whether (and how) it should respond. There seems to be a clear opportunity for an enabling approach: if ippr’s polling reveals the true picture across Britain, hundreds of thousands of people in 2006 may be living alone without having made a positive choice, and it is likely that hundreds of thousands will continue doing so against their wishes.

And importantly, as chapter 2 explained, this is also an issue that some researchers and commentators have started to talk about in discouraging terms. Unless progressives find a way of talking about increased solo living in a way that highlights the genuine challenges and opportunities this trend brings – and what the policy response to these should be – they will find themselves increasingly on the defensive.

## Younger solo living and housing policy

The growth in solo living at younger ages has been seen predominantly through the lenses of housing and environmental policy. The Government does take note of demographic trends to inform its housing strategy, producing detailed projections. But even this is a relatively recent development. Up until the 1990s housing supply policy was dominated by concerns about the impact of a growing population and it was only when the household projections to 2016 and the accompanying White Paper *Household Growth: Where will we live?* was published that the impact of changing patterns of household formation was acknowledged. Yet even today the implications of rising solo living for housing policy are, at best, poorly understood. This is admittedly a difficult area: the relationship between housing supply and household formation is a two-way interaction.

There are three main concerns here. The first is that current house building programmes are not geared to meet the needs of rising solo living, potentially exacerbating housing costs and social exclusion for the poorest people living alone (Bennett and Dixon 2006). The recent Barker Review drew attention to the weak supply responsiveness of the housing market in

the UK (Barker 2004), but it did not consider whether the right proportion of different sized homes were being built.

A second concern arises from emerging evidence that people living alone are decreasingly able to purchase their own homes and less willing to try to do so (Bennett and Dixon 2006). The worry is that this may widen the gap between the poorest single person households and other groups: one study in the United States, which tracked low-income renters and home owners over a 15-year period, found that those who bought at the beginning of the study were 81 times wealthier at the end than equivalent households who rented (Di *et al* 2004). There is a range of policy solutions that could tackle this directly, such as measures to preserve the role that inheritance tax plays in moderating wealth inequality and encouraging people to work their way up 'asset ladders' into the housing market (Maxwell 2004, 2005), but these should be complemented and ameliorated by a preventative approach to involuntary solo living.

The causes of the attitudinal shift around home ownership are poorly understood, although the impact of broader demographic trends should not be underestimated. As people delay family formation they are often less likely to aspire to home ownership and as they postpone transitions to adulthood they may prioritise the flexibility that renting can bring (Bennett and Dixon 2006). This suggests that measures that help people meet their fertility aspirations cannot be seen independently from those that affect their housing decisions. A housing strategy that does not take childcare provision (see chapter 3) into account will be less effective than one which is underpinned by a holistic policy approach to demography.

But perhaps the most serious concern is that rising numbers of people living alone against their wishes will exacerbate pressure on the acute shortages in social housing in some areas and potentially lead to greater homelessness (*ibid*) – a worry that is compounded by the lack of social housing appropriate for disabled people living alone (Pillai *et al* 2006). As noted in chapter 1, the number of households has grown at more than five times the rate of population growth in the last few decades and social housing supply is likely to outstrip demand for the foreseeable future.

Part of the Government's response has been to pilot a new system of housing benefit entitlement called the 'Local Housing Allowance'. This is a simpler entitlement based on household size and average rents for a suitable property in the location. Where tenants find a property to rent that is cheaper than their entitlement, they get to keep the difference. Where they rent a property at a rent above their entitlement level they must top up their entitlement from their other income and/or benefits. Evaluation of the pilot scheme shows that on the whole more tenants receive excess benefit than have to make up a shortfall – but that single tenants are more likely to face a shortfall than be paid excess benefit (DWP 2005f). If the scheme

is implemented in its current form it is likely that single people who need housing benefit to pay their rent will continue to be disadvantaged compared with other households. Reforming this scheme would help to break the link between solo living and housing disadvantage. But the wider challenge is to integrate existing policy approaches with one that addresses the causes of involuntary solo living in an enabling way; a merely palliative policy response is likely to be inadequate and exacerbate the numbers of single person households experiencing homelessness, estimated at up to 370,000 each year (Kenway and Palmer 2003).

## The environmental challenge

These implications for housing policy are intimately connected with the challenges that growing solo living raises for environmental sustainability. One of the most commonly cited concerns is about land and resource use: changes in household composition are a far more important driver of city growth and housing need than population growth. But there are more subtle impacts too. For example, although single person households are less likely<sup>30</sup> to have access to a car, those that do are more likely to travel alone – potentially increasing CO<sub>2</sub> output per person per mile. And although there are no available figures, it is plausible that people living alone produce proportionately more waste and recycle less than other households – partly because many food items designed for one person have a higher ratio of packaging to produce.

Alternatively, there is a wealth of evidence that suggests single person households are less energy efficient. Many energy needs – such as lighting and heat – are only minimally increased by more people living in a building. Research shows that two-person households use 31 per cent less electricity and 35 per cent less gas per person than single person households, and four person households use 55 per cent less electricity and 61 per cent less gas (Fawcett *et al* 2000).

This energy inefficiency partly underpins the difficulty in tackling fuel poverty, which predominantly affects single (older) people living alone – in 2003, 40 per cent of fuel-poor households were single person households aged over 60 (National Audit Office 2003). Each winter a higher proportion of the UK population dies as a result of unseasonal cold weather than in either Finland or Russia (Faculty of Public Health 2003). The Warm Front programme, which provides the most vulnerable with central heating and insulation, has been an important initiative in tack-

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30 Thirty-nine per cent of people living alone under state pension age and 69 per cent of those over state pension age did not have access to a car in 2001, compared with 27 per cent of the population as a whole (Summerfield and Babb 2004)



ling the disadvantage associated with solo living while minimising its environmental impact. The recent announcement in the 2005 pre-budget report to enable pensioners on Pension Credit to have central heating systems installed free of charge, and provide a £300 discount on central heating systems to all other pensioners who do not already have one in their home is a welcome step to reduce fuel poverty (HMT 2005). However, it needs to be combined with revisions to the eligibility criteria for Warm Front improvements and measures to improve the energy efficiency of homes (Foley *et al* 2005), particularly for single person households.

Many people living alone realise that their domestic arrangements are less than ideal for future sustainability. ippr's research found that 35 per cent of people living alone said that this had a negative impact on the environment – but worryingly, 17 per cent said the impact was positive and 45 per cent thought it made no difference (Lewis 2005). This is another example of where an explicit policy approach would reap benefits: being able to talk about the impact of demographic change on a wide range of policy areas would help legitimise government action in highlighting the importance of recycling and sustainable energy use, as well as focusing policy efforts to engender more sustainable behaviour on the most important groups.

## Poverty and inequality

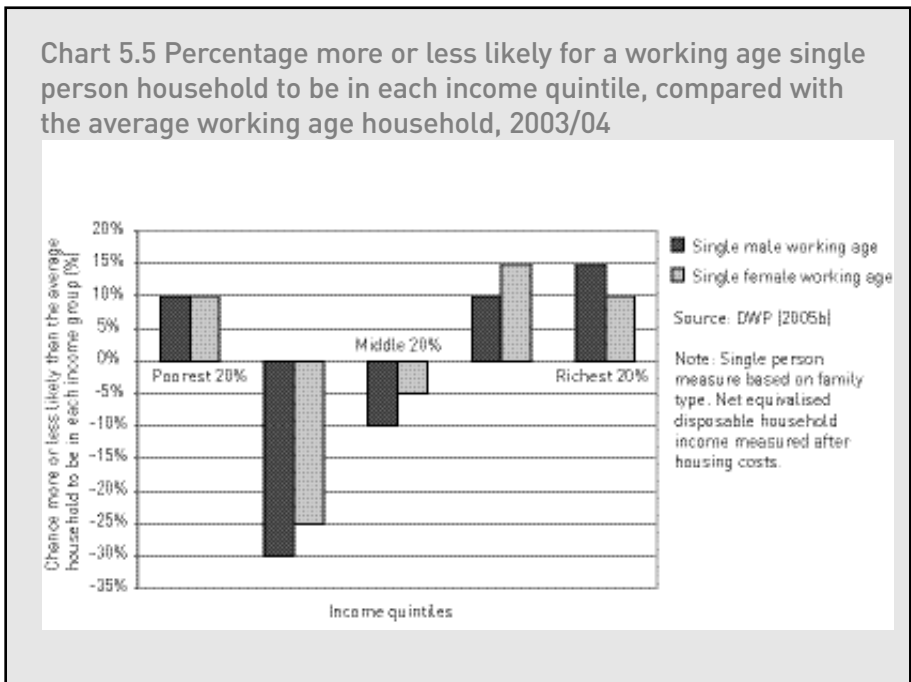
This focus on housing and the environment, important as these both are, may have distracted from other implications of rising solo living for achieving social justice. The apparent potential public and media appetite for an enabling response to the rise in solo living is welcome news as there is a plethora of reasons to think that government should care about this trend in terms of social justice.

We are still a long way from fully understanding the underlying dynamics and drivers, and it is too early to draw out detailed policy prescriptions, but there is a growing consensus that rising (involuntary) solo living will create significant challenges for government and society. As David Miliband noted in a speech late last year, 'living alone doesn't in itself mean social exclusion, of course, but it can increase the risks' (Miliband 2005). And a report for the Social Exclusion Unit recently identified solo living in old age as increasing the risks of exclusion (Phillipson and Sharf 2004). The rest of this chapter aims to inject fresh thinking into this debate by drawing out some of the emerging and less well understood implications of this trend.

Government policy aimed at reducing poverty has rightly focused on promoting the life chances of children. Working age adults living on their

own have been a relatively unfavoured group since 1997 (Dixon and Paxton 2005). This has been a broadly popular strategy and resonates well with the British public (Taylor-Gooby 2005). But it is worth recognising that more than 1.8 million single working age adults live in poverty, constituting the second largest group after couples with children (DWP 2005b).

The most compelling argument for progressives to care about solo living is that a body of new research shows that this trend is particularly responsible for demographic pressure towards higher poverty and inequality across much of the developed world (Bradley *et al* 2003, Esping-Andersen 2005b, Kenworthy 2004, 2005, Kenworthy and Pontusson 2005). One simple explanation is that people of working age living alone are more polarised in terms of income than other types of household. As chart 5.5 below shows, men in single person households are 15 per cent more likely to be in the richest fifth of the income distribution, 10 per cent more likely to be in the poorest fifth, and 10 per cent less likely to be in the middle fifth than the average household. The pattern for women living alone is broadly similar.



This unequal distribution of income is partly due to the way single person households participate in the labour market. People of working age who live alone are more likely to be in high paying jobs than the average, but

they are also more likely to be unemployed or inactive.<sup>31</sup> On an after housing cost measure, working age people living alone were 21 per cent more likely to be in poverty than the average working age household. Although 29 per cent of working age adults live alone, this group makes up 35 per cent of working age adults in poverty and 37 per cent of those living on less than half median income (DWP 2005b).

It is this underlying pattern of income distribution that explains why rising numbers of single person households create a push towards greater poverty and inequality. As different groups become larger or smaller relative to the total population their overall impact on the population changes. If a group with a high poverty rate becomes much larger, the population as a whole will have a higher poverty rate. And because different demographic groups have different characteristics in a whole range of areas – such as employment or poverty rates – demographic change can have a large effect on the characteristics of a population (Daly and Valletta 2004, Johnson and Wilkins 2003, Esping-Andersen 2005b, Kenworthy 2004, 2005).

But why are single person households so polarised? One hypothesis is that it comes down to the stark difference between involuntary and voluntary solo living. The analysis presented above shows that the poorest single person households are the least likely to have chosen solo living. And for many people who do not end up living on their own through choice, the transition to solo living can be extremely expensive. As chart 5.6 shows, 43 per cent of those who started living alone between 1991 and 2001 found they were financially worse off than before, and 43 per cent of people who stopped living alone found themselves better off. Worryingly, the research reported in chart 5.6 suggests that people living alone were significantly more likely to experience a fall than a rise in income over this period.

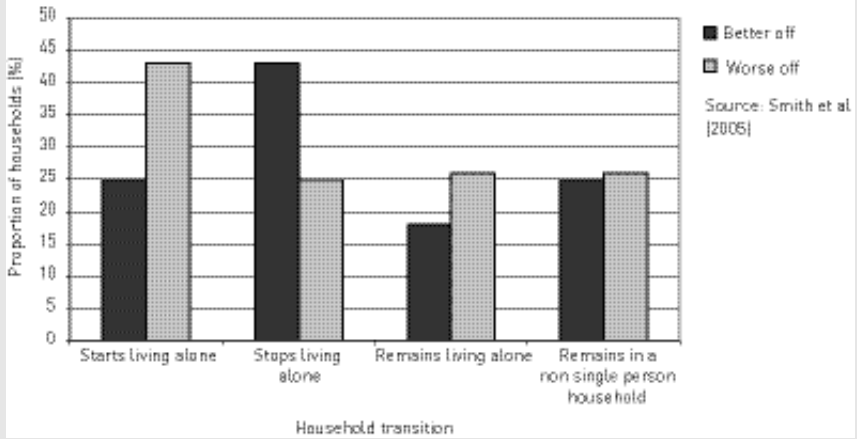
Although income is an important measure of living standards, it is far from the only thing that matters. Living alone is often prohibitively expensive – rent, utilities and other fixed costs are much higher for single person households than for other types of household. Ready-made meals for one, while convenient, are often considerably more expensive than cooking for more people, and many people living alone find it difficult to save money by buying in bulk because food goes off, they have less storage space, or are unable to transport large items back from the shops without a car (Lewis 2005).

Recent research by ippr has found that expense is a major factor behind many people's decisions to stop living alone: 17 per cent of those who have

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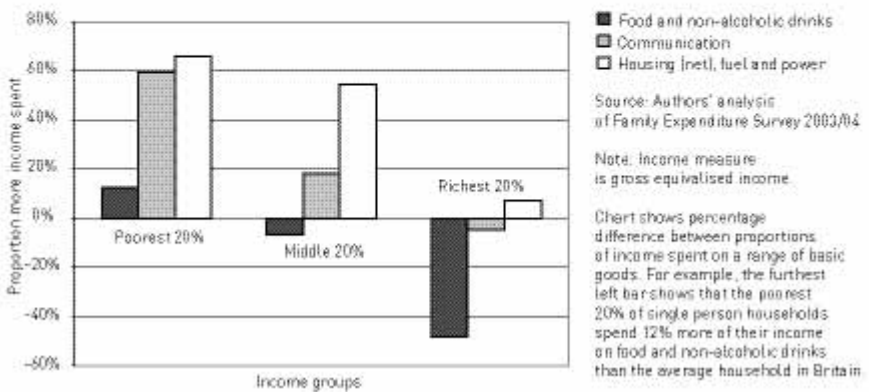
31 In 2004, 27 per cent of single person households were workless, compared with 19 per cent of all households and just five per cent of couple households with dependent children. Similarly, 22 per cent of single person households were economically inactive, compared with 13 per cent of all households and just 10 per cent of couple households with dependent children. This inactivity is also more likely to be due to long-term sickness or disability than for other kinds of household (Walling 2004).

Chart 5.6 Change in financial position associated with living alone, 1991-2001



lived alone for less than a year expect to have to stop for financial reasons (ibid). Taking a detailed look at the spending patterns of people who live alone shows why this is. ippr’s original analysis of the Family Expenditure Survey 2003/04 has revealed that people who live alone spend 22 per cent more of their income on housing, communication, food and non-alcoholic drinks than the average household. And the poorest households spend 40

Chart 5.7 The additional cost of living alone – proportion more income spent by working age single person households than the average working age household on a range of basic goods



per cent more. Chart 5.7 shows that the poorest 20 per cent of people living alone spend 12 per cent more of their income on food, 59 per cent more on communication and 66 per cent more on housing, fuel and power.

One result of the extra cost of solo living is that people living alone are less likely to have a range of consumer durables, such as washing machines or personal computers, than couples or families; and older single person households are consistently less likely than other groups to have more recent items, such as DVD players (Rickards *et al* 2004).

## Policy response

Rising solo living clearly has profound implications for Britain over the coming decades as these pressures mount, and it is clear that these cannot be understood in isolation but instead need to be analysed and responded to as part of a holistic policy approach to demographic change. Better understanding of this trend should be a key goal of a new explicit approach; undertaking this research and policy development in the context of wider demographic shifts should fall under the remit of the Minister for Demography, Migration and Citizenship.

This progressive policy response to solo living at younger ages needs to balance two considerations: ensuring that solo living does not lead to disadvantage and reducing involuntary solo living. This report does not aim to give a comprehensive assessment of what a detailed approach would entail, but the following two sections start to provide tentative suggestions for working towards these aims.

## Breaking the link between solo living and disadvantage

The evidence presented above shows a clear link between solo living and various forms of disadvantage. Perhaps the most pressing of these is the high rates of poverty that many people living alone face. More research is needed into why this group has lower employment participation than other household types and the labour market barriers that people living alone face before we can make detailed policy recommendations. But it is clear that nuanced measures are needed to improve access to education, training and labour market opportunities for the disadvantaged and socially excluded living alone. One implication may be that single person households at the bottom end of the income distribution often need more support than other household types and that services may need to be tailored more accurately to their needs.

A second area of reform worth exploring is the role of assets in relation to solo living. Assets can help people 'smooth' their expenditure – helping

them spread the cost of unforeseen eventualities that mean a sudden hike in expenditure or loss of income, such as burglary or illness, or take advantage of new opportunities, such as paying the deposit on a flat which is close to a better job (Bynner and Paxton 2001). One reason that poorer people living alone appear to have worse employment (and other) prospects may be that they are less able to rely on a partner or flatmates to provide financial support and therefore less able to take greater risks in the labour market or other areas of their lives.

### Reducing the impact of crime

Although income measures are important, we need to recognise that living alone often brings a wider set of disadvantages. For example, people living on their own face a higher risk of burglary and other types of property crime (Dignan 2004), and there is some concern that growing numbers of single person households may not be adequately catered for by existing support services. New analysis by ippr shows that people living on their own are often more affected by their experiences of crime than those in larger households, possibly because they are less likely to have someone close at hand to talk to, or to give them reassurance or practical help – such as waiting at home for repairs. In 2002/03, 35 per cent of victims of burglary who lived alone reported experiencing depression afterwards and 31 per cent had difficulty sleeping, compared with 22 and 24 per cent of those in larger households. And people living alone were nearly twice as likely to move house or flat following a burglary – nearly 10 per cent of victims of burglary living on their own did so in 2002/03 (Dixon and Rogers 2006).

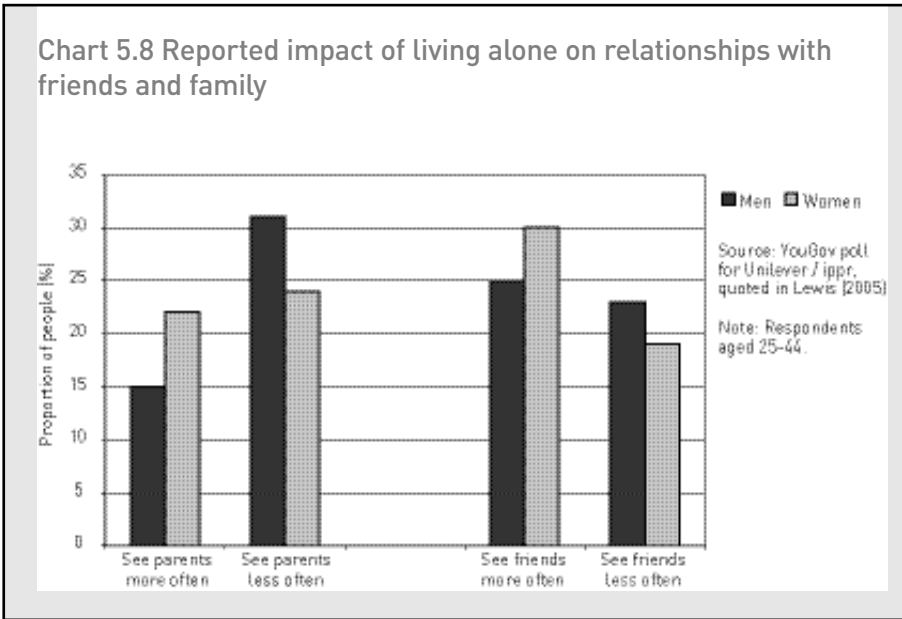
The impact of crime on people's lives is not adequately recognised by current policy, which focuses on reducing the overall volume of crime rather than its effects (*ibid*). Reforms to the Home Office's Public Service Agreement (PSA) target that shifted emphasis towards reducing the harm caused by crime, rather than a simplistic focus on numbers, would help prioritise the importance of people living alone in crime prevention and support strategies (*ibid*).

### Greater community involvement

For many people living alone gives them the freedom to make the most of their social life. But for others it can result in them being cut off from friends and family. As chart 5.8 shows, a substantial proportion of both men and women told ippr that they see their parents and friends less often because of living alone.

Looking at these figures in more detail shows marked differences between groups: men living alone are more likely to say it has had a negative effect on how often they see their parents and friends than women. Research by ippr

found that men, older people, and those who have lived alone before are significantly<sup>32</sup> less likely to live alone near friends or family than other groups, and that older people are less likely to see friends at least once a week (eight per cent of 25-34 compared with 12 per cent of 35-44).



The rise in solo living is much less well understood than low fertility, and policy debate in this area is less advanced, partly as a consequence of government’s reluctance to engage with demography in a wider context. Yet there is a growing swell of public demand and a progressive case for action. Policy needs to respond to the pressures that rising numbers of people living alone will create – some of which have been identified in this chapter – such as rising poverty and inequality, reduced environmental sustainability and greater housing need. But it needs to do so in a holistic way that is sensitive to the interactions between demographic trends.

An explicit recognition and greater understanding of these would lead to more effective policy. And although our understanding of this trend is in its infancy, it seems there is also scope for an enabling approach – identifying where people face pressures resulting in their living alone against their wishes, and how these can be reduced.

The challenge here is to ensure that solo living does not lead to greater isolation. Drawing demographic links across policy areas would see this as

32 To 95% confidence level

a challenge for a range of government departments as this could also impact on other trends, particularly fertility. There is a range of policies already in place, but we need to ensure that these are adequately tailored to the needs of a growing younger (predominantly male) demographic. It is worth outlining two of the more innovative approaches that have been piloted recently in this domain.

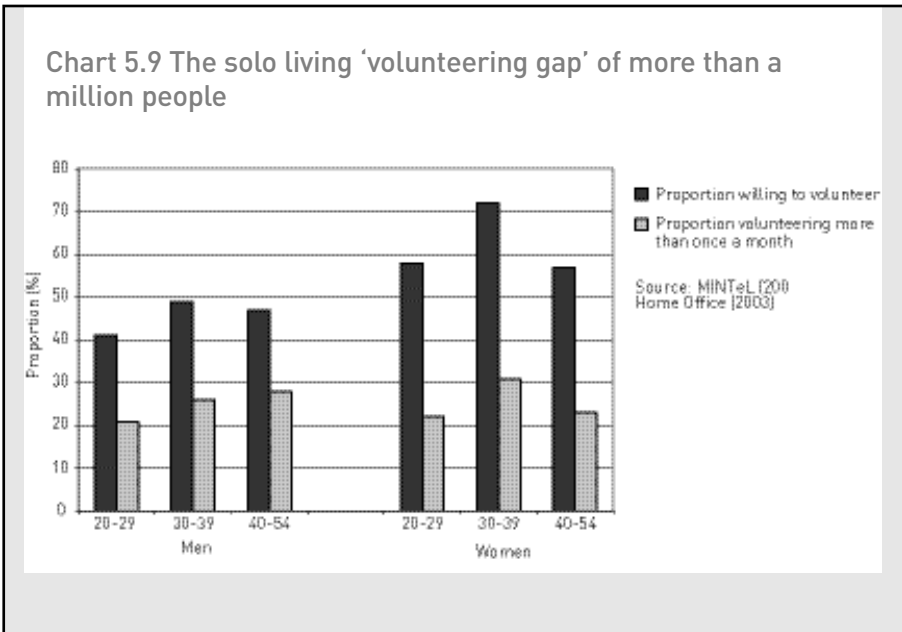
The first of these is the potential of the internet to create community ties that manifest themselves in the 'offline' world. For example, a pilot in Shoreditch, in east London, that started in 2005, aims to create a wired network of local citizens. For a monthly fee of £3.50, connected residents will have access to super-fast broadband and a range of local services through their home computer or television, including access to online CCTV cameras (so vulnerable people can feel reassured that it is safe to go out), community referendums, local 'e-bay' and 'Loot' services, online group buying for utilities, approved list of personal service suppliers such as childcare, plumbers and carpenters, and discussion forums to get in touch on local issues (Shoreditch Trust 2005). If successful, lessons learned from this pilot may help reduce social isolation in other areas.

Urban design and architecture can also play an important role. The challenge of increased solo living is to design, renovate and reinvigorate communities in a way that facilitates levels of community participation by people living alone. Two recent projects that have been successful in promoting social capital through urban design are the New Islington project in Manchester and the redevelopment of the Broadwater Farm estate in north London, both of which reveal the importance of architecture in influencing behaviour. Blocks of flats in Broadwater Farm used to be connected by interlinking walkways above the ground, which led to a rabbit warren of connecting paths and a deserted ground level that residents found intimidating. Removing the walkways, connecting the blocks at ground level and introducing a community centre has led to a revolution in the estate's fortunes, with much higher levels of trust and social capital (Inside Housing 2005).

A third policy strand aimed at breaking the link between solo living and disadvantage could take advantage of the willingness of people living alone to participate in formal volunteering. Perhaps surprisingly, this group spends more time volunteering than other groups and is more likely to be active in at least one voluntary organisation (ONS 2001). This may be partly because people living alone often have more time and are keen to build links with their communities. And encouragingly, it seems as if people living alone are a relatively untapped resource: chart 5.9 compares the proportion of people who said they would like to volunteer in one survey of 25,000 people in late 2003 (MINTeL 2003) with the proportion of people who actually undertake volunteering work. Although we should be wary of



taking people's stated intentions at face value – particularly in this area – this hints at a large 'volunteering gap' for people living alone.



There is very little research looking at the reasons that this group does not participate more fully in voluntary work, or identifying the policy levers that would be most effective in helping this group to meet their volunteering aspirations. The Home Office Citizenship Survey could easily be used to identify some of the barriers this group faces (ONS 2004). But the potential for policy to harness this trend to create more cohesive communities is clear – it just requires demographic change to be better integrated into existing policy strands.

Policy reforms that directly addressed these kinds of issues could go some way towards mitigating the adverse impacts of rising and involuntary solo living. But an explicit and enabling approach to solo living – which reduced the pressure towards involuntary solo living, in line with people's aspirations – would have the advantage of reducing the *underlying* pressures towards greater poverty and inequality. What would such an approach involve?

### Reducing involuntary solo living

A preventative approach to involuntary solo living needs a rigorous assessment of the drivers underpinning this trend, and must work with the grain

of existing policy objectives. At this stage in our emerging understanding we can only make tentative suggestions. But it is clear that there are several promising avenues for research and policy development.

The first of these is in terms of providing better support aimed at preventing relationship breakdown. More than a third of people aged 25 to 44 who are living alone for the second (or subsequent) time were previously married or cohabiting. Many of these people would rather be living with a partner than alone (Lewis 2005). Of course, relationship support services should not be seen as a panacea for involuntary solo living – couples often only turn to support in the final stages of their relationships and ‘saving’ the relationship is the exception rather than the rule (DfES 2002) – but tailored services can make a difference.

Perhaps the most significant challenge is encouraging a cultural shift in which people feel more able to turn to support at earlier stages in their relationship, when problems are emerging. This is an ambitious task but there are simple reforms that would help. There are at least four problems with current provision: it is often inaccessible and inconvenient, expensive, rarely timely, and too often provided in a ‘one size fits all’ way (ibid) – tackling these would help mainstream relationship support services.

It is to the Government’s credit that these challenges have been identified as an important element of achieving the objectives laid out in the Every Child Matters initiative. Sure Start now incorporates the Strengthening Families grant programme which aims to fund the voluntary and community sector in developing and delivering support services. But the money involved is relatively tiny: just £2.1 million was available for new grants in 2005/06 (DfES 2005). Ensuring that people have access to support at key transition points in their lives, such as childbirth or when having employment difficulties (Walker *et al* 2004), could be better achieved by advising Primary Care Trusts to contract in specialist relationship support services and including relationship support as part of the pre- and post-natal offer that new parents receive through Sure Start (Relate 2005).

A second area for a preventative approach may be in reducing the number of young people who are effectively forced to leave home or care – 80 per cent of those assisted by Centrepoin have left home due to ‘push’ factors, such as family conflicts, violence or sexual abuse, poverty or lack of space and privacy (Shelter 2005, SEU 2005). Addressing this problem is a focus of much existing policy effort and a demographic concern should obviously not be a primary motivation for policy in this area. But it is worth noting that success in helping people to manage this transition better would also have beneficial demographic effects, and it is possible that a broader research effort focused on assessing why people live alone involuntarily could help policy address the needs of this group more effectively by introducing a new perspective.

A third area for investigation should be in helping people return to living with others after living alone. Perhaps the most significant barrier here is a cultural one: many people are reluctant to share with others, particularly at older ages before retirement, although some do express interest in sharing again (Lewis 2005).

Although the precise level of demand is unclear, we should not be pessimistic about the ability of government to help people live with others again. In the private sector, the Rent a Room scheme operated by HM Revenue and Customs gives tax rebates of up to £4,250 for people letting a room in their first home. Although take-up is low and this is partly a pragmatic response to many people not declaring rental income, it is also a symbolic initiative to encourage people to rent out spare rooms. But there is little incentive for those in social housing to share accommodation, although there is evidence of spare capacity in currently occupied social housing. Seventeen per cent of two bedroom social housing properties have just one occupant and nearly 20,000 of those with three or four beds are under-occupied (ODPM 2005). One reason behind this may be that it is impossible to apply for social housing on a 'willing to share' basis. In contrast to the private rented sector, where it is common to start sharing housing with non-acquaintances, social housing tenants are not given this option.

In the short term, freeing up under-occupied homes so that they can be let to overcrowded families should be a greater priority than letting rooms to single people. Many councils already offer incentives for under-occupiers to downsize so that their existing homes can be let to overcrowded families, although difficulties arise because many of these tenants are older people who have lived in their homes for a long time and are understandably reluctant to move. These initiatives are to be welcomed and will become more important as pressure on our housing stock rises. But in the longer term, mechanisms need to be developed that enable people living alone who are entitled to social housing to live in more communal ways if they choose. Although there may be difficulties in administering such a scheme, a pilot could be developed in which existing tenants who have spare bedrooms would be offered financial or other incentives to sign up to this scheme and would be matched with waiting tenants who are willing to share. In areas in which social housing shortages are concentrated in smaller properties, a 'willing to share' option for social housing waiting lists could be trialled, helping people who need social housing and do not wish to live alone but do not have anyone suitable to live with.

## Conclusion

The rise in solo living is much less well understood than low fertility, and policy debate in this area is less advanced, partly as a consequence of

government's reluctance to engage with demography in a wider context. Yet there is a growing swell of public demand and a progressive case for action. Policy needs to respond to the pressures that rising numbers of people living alone will create – some of which have been identified in this chapter – such as rising poverty and inequality, reduced environmental sustainability and greater housing need. But it needs to do so in a holistic way that is sensitive to the interactions between demographic trends.

An explicit recognition and greater understanding of these would lead to more effective policy. And although our understanding of this trend is in its infancy, it seems there is also scope for an enabling approach – identifying where people face pressures resulting in their living alone against their wishes, and how these can be reduced.

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## 6 Migration: moving beyond numbers

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Migration has emerged as one of the most hotly debated issues in contemporary Britain. As chapter 2 detailed, concerns about the scale and impact of recent increases in net immigration to the United Kingdom have featured prominently in political and popular discourses, often stressing negative aspects of migration at the expense of informed debate (Lewis 2005). This rising public awareness has been matched by a growing research interest in the relationships between migration and numerous other socio-economic phenomena. One such relationship that is starting to receive considerable research and policy attention is the potential of immigration to address demographic challenges facing the UK.

Pointing to the high-immigration, high-growth experiences of countries such as the United States and Australia, some have suggested that western European countries need to boost immigrant intakes in order to avoid some of the worst effects of rising dependency ratios<sup>33</sup>. This debate at a European level has filtered through to media concerns in Britain, although as indicated in chapter 1 it is less relevant here. Other writers have pointed out that, since immigrants also get older and often adopt the low-fertility rates of the host society, 'replacement migration' would require substantial inflows that would be politically unfeasible and economically difficult to manage (Grant *et al* 2004, UN 2000).

A key concern, as we argue in chapter 2, is the lack of informed debate in Britain about immigration. This manifests itself in newspapers and political discourse – about the actual level of immigration, its consequences, and the role that migrants play in economy, society and in demographic change more generally. It could be said that academic research has sometimes not asked the most important questions. This contributes to negative interpretations by the media and an anachronistic and unrelenting obsession with overall numbers.

While the question of the optimal scale of immigration into the UK is a valid one, this chapter seeks to move beyond the narrow and well-rehearsed debates on the *quantitative* impact to examine the *qualitative* relationship between migration, demographic change and the pursuit of social justice. This is crucial if we are to situate the immigration question within the wider debate about demographic change. This chapter examines the

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33 The dependency ratio is the ratio of the number of individuals aged between 15 and 64 to that of individuals aged below 15 or above 64.

nexus between these two important trends – demography and migration – with a particular focus on what their interaction might mean for the pursuit of a sustainable, equitable and dynamic economy and society.

It is worth noting at the outset that this exercise is a tentative one given the paucity of relevant data in this area.<sup>34</sup> Indeed, the challenges faced by demographers trying to predict the size of future flows of people are multiplied when it comes to understanding the impact of those flows.

## Immigration in popular discourse

As chapter 2 highlighted, the British press, rather than the Government, has led the debate around immigration, often framing it in terms of immigrants ‘swamping’ the UK (Lewis 2005). In the absence of strong political leadership and a balanced media, there is little scope for the public to be well informed on this issue (*ibid.*).

The failure to connect immigration to a broader debate about demography has allowed the trend of migration flows to be analysed in isolation, with often negative consequences, and has resulted in commentators and the public remaining largely unaware of the important net contribution that migrants make to society and the economy (Sriskandarajah *et al* 2005). Progressives have so far failed adequately to articulate the essential role migrants play in British society or convince opponents that, as we argue in this chapter, ‘managed’ migration may be a way of solving some problems caused by an evolving demography.

A Minister for Demography, Migration and Citizenship would be able to fulfil the important role of providing greater clarity and openness from government about the levels, implications and importance of immigration in a context of wider demographic change. This could only be achieved in the context of a mature, open and explicit debate about demography as a whole, led by the Government.

Introducing a Minister for Demography, Migration and Citizenship, which could replace the Minister for Immigration, Citizenship and Nationality, would also clearly signal to the public that immigration is not a stand-alone phenomenon but part of a wider demographic dialogue; it would be an important symbolic step in itself.

Without sustained migration, Britain would lose the many benefits migrants bring in a range of areas beyond their partial mitigation of ageing and rising dependency ratios. The following sections demystify this trend and outline a progressive justification for sustained immigration, along with some of the emerging challenges. We show why it is vital to situate the

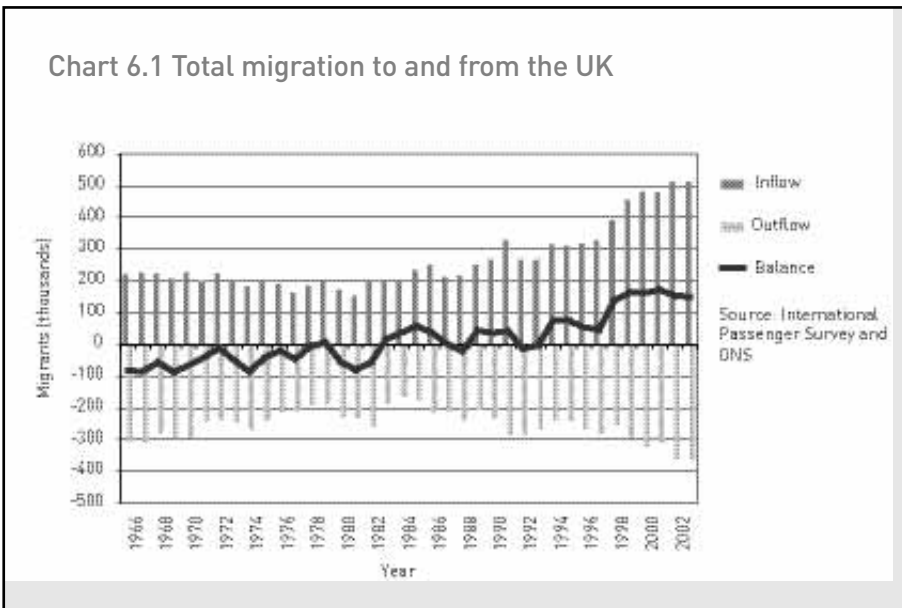
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34 To begin with, the principal sources for data on migrants and their characteristics, the Census and the Labour Force Survey, do not discriminate between economic migrants, international students, family migrants and asylum migrants.

immigration question within a broader demographic dialogue and assess migration trends in qualitative as well as quantitative terms.

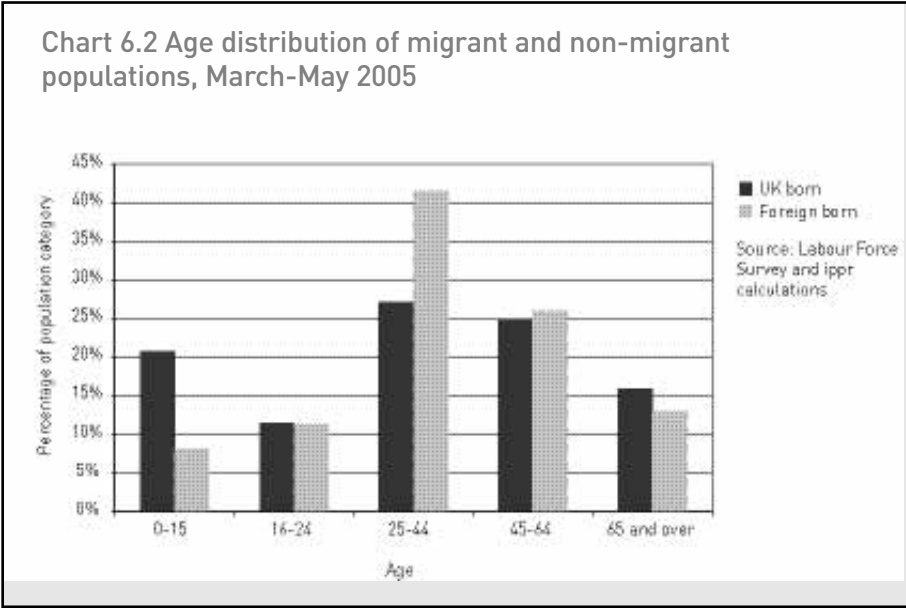
## Mapping migration

In recent years, the UK has experienced high and sustained levels of net immigration. As seen in chart 6.1, net flows of migrants (defined as people moving into or out of the UK for 12 months or more) have generally been positive since the mid-1980s. Recent net annual inflows, exceeding 150,000, are at a historical high.



These net figures hide considerable diversity in the nature of inflows. For a start, new arrivals enter the UK for a range of reasons, including working or studying, joining family members already in the UK or claiming asylum. The recent increases in net flows have been the result of an increase in all four broad categories but particularly because of substantial growth in the numbers of economic migrants coming to work in the UK under a number of programmes. It is also worth noting that recent immigrants have been coming from an increasingly diverse set of countries (Kyambi 2005). While many of Britain's immigrants continue to come from other EU states and from what is often called the 'Old Commonwealth' (e.g. Australia, Canada, New Zealand and South Africa), significant numbers now originate from other, more diverse parts of the world such as India, Pakistan, Philippines and Poland.

In terms of demography, it is also worth noting that foreign-born people in the UK tend to be predominantly younger than the UK-born population. In line with the shift towards labour migration and asylum flows, they are more likely to be of working age. Chart 6.2 shows the age distribution of the UK and foreign-born populations. Immigrants are more likely to be aged 25-44 than any other age, and this age group makes up a much higher proportion of the foreign-born population than of the UK-born population.<sup>35</sup>



### Why immigration?

Until now, the debate around immigration in Britain has focused primarily on numbers, whether these are too high or too low, both now and in the future. Headlines repeatedly focus on whether Britain is being ‘swamped’ and fixate on purportedly excessive numbers of migrants entering the country (Lewis 2005). From the demographic perspective, proponents have highlighted the potential positive impact of immigration on countering our ageing population, given migrants’ relatively young age profile, as seen above. However, according to estimates from the United Nations, maintaining current support ratios<sup>36</sup> in the UK would require 59.8 million

35 This analysis is based on the Labour Force Survey, which includes questions on country of birth, nationality, personal details and socio-economic status. The definition of a migrant we use here is of someone born outside the UK but resident here.

36 A support ratio is the ratio of working age population (15 to 64 years) to the old-age population of 65 or older (UN 2000).

migrants between 1995 and 2050, an annual average of slightly over one million immigrants, and a scale of immigration that is likely to be politically unpalatable (UN 2000).

Instead of concentrating on numbers, or indeed on how much 'replacement migration' is needed, Britain should look creatively at the qualitative implications of immigration for issues of social justice. The scale of immigration is only one part of the story; more interesting, more important, and less understood is the impact of immigration on the economy and on society.<sup>37</sup> A good place to start such an inquiry is to ask why we have immigration in the first place.

Set in a global context, immigration to the UK is part of a wider phenomenon of increasing human mobility around the world. It is estimated that around 200 million people reside outside the country of their birth, double the number of migrants just a couple of decades ago. The UK has actively been seeking to promote this mobility, with the most obvious example being the free movement of people within the EU. This mobility is seen as vital to harnessing the efficiency gains from European economic integration.

Attracting migrants from outside the EU for economic reasons has also emerged as a central tenet of the UK's recent 'managed migration' policies. In the short term, immigrants are seen as being able to fill vacancies and respond more quickly to labour market shocks. This has been best demonstrated in recent years in which low unemployment rates and high vacancy rates (the most recent National Employers Skills Survey identifies 616,800 unfilled vacancies, of which 145,475 were classified as being skills-shortage vacancies (Learning and Skills Council 2005)) have led to substantial demand for migrant workers. Not surprisingly, net inflows have increased in recent years to meet that demand (see chart 6.1).

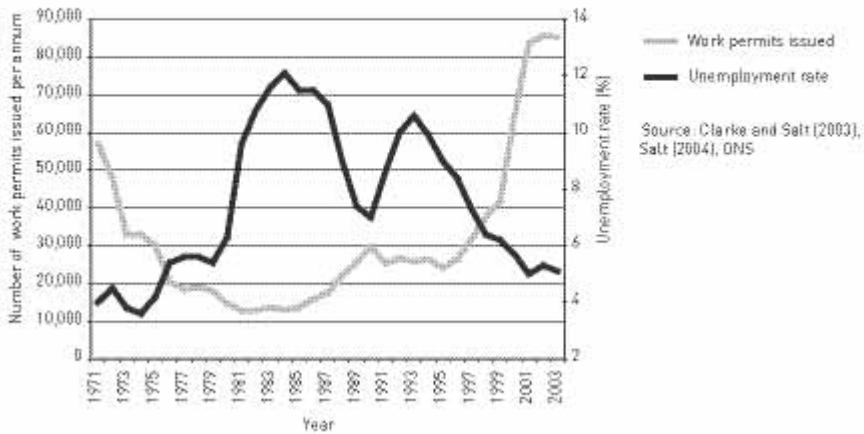
In the longer term, immigration may also be a way of adjusting to changing economic conditions. A very rudimentary analysis of the numbers of work permits issued to foreign nationals in the UK seems to correspond broadly with domestic labour market conditions. Chart 6.3 shows that as unemployment rates fall, work permit numbers seem to increase and vice versa.

While labour migration may be able to respond to changing overall labour demands, immigration may also be a way of responding to broader demographic and related societal changes such as improved education and living standards, changing family structures, greater female workforce participation and an ageing population. Immigrants often fill vacancies in sectors where there is an undersupply of qualified personnel or in jobs that

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37 It is worth remembering that the UK has a long history of immigration, spanning several centuries.

Chart 6.3 Work permits issued and unemployment rate in the UK



the domestic workforce is unwilling to do at the going wages and conditions. This is best demonstrated in the increased demand for workers in the health sector. At one end of the spectrum, migrant workers have been able to fill shortages of healthcare professionals such as doctors and nurses. Something like one in three doctors, one in six dentists and one in ten nurses in the UK are trained overseas (Kelly *et al* 2005). At the other end of the spectrum, unmet demand for carers to look after children and growing numbers of older people is likely to increase.

Finally, it is worth noting the broader economic benefits that can accrue from migration. Immigrants can add to greater consumption and therefore demand, can lead to increased investment, and can bring new ideas and innovation. Faster growth in the labour force raises the marginal product of capital which, in an open economy, attracts greater levels of capital inflow. Migration that contributes to the growth of a young workforce should in turn stimulate economic growth and dynamism. Some countries, such as Australia and Canada, have already presented the link between a young and growing workforce and economic dynamism as central to the elaboration of both their population and migration policies. Immigrants, rather than being spongers on the state, can also be critical in bolstering the provision of public services increasingly stretched by rising healthcare and pension demands. The sustainability of the welfare state in the UK may depend in a large part on the availability, at least in the medium term, of either high-skilled or low-paid immigrants to respond to the ever-increasing need for public services. Moreover, recent research shows that for the period 1999-2004, immigrants have been relatively greater net contributors to public finances than non-immigrants (Sriskandarajah *et al* 2005).



While the economic rationale for immigration may be clear, the question of how to manage migrant flows to optimise social and economic impacts is much less clear. It is to some of these challenges that we now turn.

## New challenges

Flows of people are of course different in character to flows of money or goods. For example, the migrants who come to the UK to work need houses, transport, services and so on. If they end up staying for a substantial period, it is far better for all concerned that they are effectively integrated within their host community. This means that 'managing migration' is not simply about determining who is allowed in or even about maximising the economic benefits of migration, as reflected in the recent Home Office strategy (Home Office 2005a). Rather, the challenge for progressive policymakers is to address all the thorny issues at the centre of a 'managed migration' approach: admission, entitlements, integration, overseas impacts, and undocumented migrants (Sriskandarajah 2005). Only once these are understood and tackled can policymakers truly begin to maximise the benefits of migration.

Moreover, as argued elsewhere in this report, the issues go beyond the negative externalities traditionally associated with population growth (congestion, environmental strain), which cannot be considered in isolation but instead should be examined within the broader debate regarding the trade-offs necessary in maintaining our future prosperity and well-being. This is where the nexus between immigration and demographic change becomes most interesting and most challenging.

We identify four key areas at the heart of this nexus that need further investigation and that have the potential to raise particularly difficult challenges for progressive policymakers: labour market impacts, regional impacts, distributional impacts and compositional impacts. A more robust evidence base and an open discussion of these issues are needed in order to develop a progressive blueprint for migration that optimises the social and economic impacts of immigration. We turn to each one below.

### Labour market impacts

In order to respond to labour market demand, migration patterns should reflect changing patterns in demand for labour. As discussed, many immigrants are filling jobs in the public sector, as demand for such services, particularly health related, is higher than ever. Particular stress is put on the need for highly skilled migrants, such as doctors and IT specialists, in line with the view that a move to an increasingly knowledge-based economy creates greater demand for skilled and experienced workers, and reduced demand for low-skilled workers. This rationale is reflected in the

Government's new managed migration programme, which focuses almost entirely on skilled migrants, making the assumption that what low-skilled demand there is will be filled by Accession workers, who are relatively free to work in the UK (Home Office 2005b).

It seems logical that an economy increasingly driven by technology should require workers trained to use more sophisticated levels of technology. Greater demand for high-skilled workers is likely to increase wages in this type of job as demand grows relative to other less skilled occupations. Indeed, most of the net increase in employment over the past two decades can be accounted for by growth in jobs requiring significant qualifications and experience and providing high remuneration (Robinson 2005).

However, there has been growth in employment at both ends of the UK labour market. The job spectrum is showing a growing share of low-skilled and often low-paid service and sales occupations. While some low-skilled occupations such as manufacturing are on the decline, others such as certain health-care and personal services are on the rise. Quite simply there are low-skilled jobs that can neither be displaced by technology nor taken overseas. Certain jobs such as cleaning are not always directly affected by technological progress because certain aspects of the jobs are non-routine and cannot be performed remotely without light years of technological progress.

Technological change will most probably increase job polarisation further. As people grow wealthier in high-paid, high-skill jobs, they will create further demand for non-routine, non-tradable, low-skilled service occupations such as security guards, cleaners and sales assistants (Goos and Manning 2005). Projections of occupational growth until 2012 in the UK confirm this scenario. Personal service occupations such as care work and customer service occupations have been one of the main areas of employment growth over the past decade, with 750,000 jobs created, and is expected to continue to increase substantially (Wilson *et al* 2004). In the US, labour market predictions show strong demand for workers with few skills. Half of the 30 occupations projected to have the largest numerical growth require limited on-the-job training (Lowell 2005). Rich nations with technology-driven economies, rather than lose low-end sectors altogether, are experiencing growth in different kinds of essential sectors such as personal care.

Increased job polarisation is worrying from a social justice perspective because of its consequences for further income inequality. As high-skilled workers earn more, those in the 'lousy' jobs continue to earn relatively less. Even if low wages stay constant, the difference with high earners will grow as relative demand for high-skilled workers continues to grow. While income inequality has been stable since the late 1990s, levels in the UK are high compared with other European countries (Dixon and Paxton 2005). Further growth in income inequality remains a real concern for progressives.

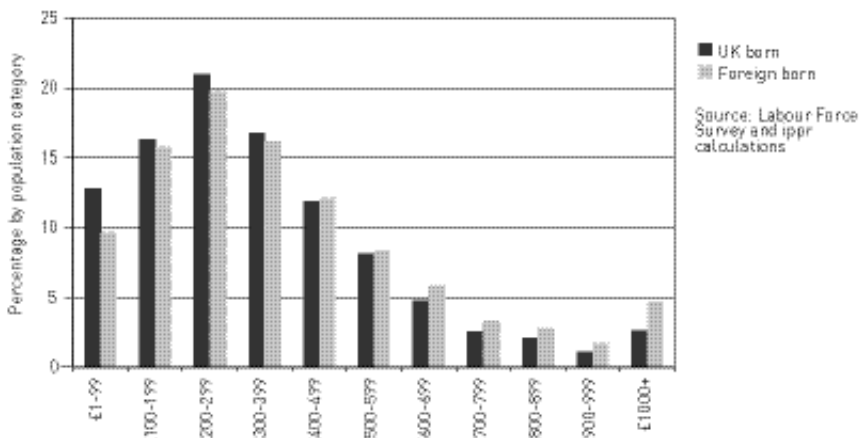
The Government has set itself the goal of achieving full employment at

80 per cent of the working age population. Accordingly, welfare-to-work policy has expanded to target the economically inactive as well as the unemployed. One group that is doing badly in terms of labour market outcomes consists of the lowest qualified. Despite the trend towards growth at the lower skilled end of the labour market, adults with the lowest qualifications are suffering relative disadvantage in the labour market. This disadvantage is reflected in the employment outcomes of the low-skilled, who are the second group after the sick and disabled most likely to be workless, with 48 per cent being out of work (Cabinet Office 2005).

This brief overview of overall trends in the UK labour market (job polarisation, high levels of income inequality and worklessness for lowest qualified) brings us back to examine economic migration, or more precisely economic migrants, and where they fit into the picture. If migration is an economic policy designed to promote the economic interests of the UK, like other economic policies it too must be reconciled with the Government's social objectives, specifically reducing income inequality and promoting full employment.

The emerging job (and related wage) polarisation appears to be slightly less pronounced for foreign-born workers than for the UK-born population. If we compare foreign-born workers with UK-born workers, we see that they differ slightly in terms of income distribution. On average, immigrants are likely to be earning more than the UK-born population. These high earners are most probably responding to demand created by the shift towards a knowledge-driven economy. The proportion of foreign-born population at the very bottom of the income spectrum (9.7 per cent), earning under £100 a week, is smaller compared with that of the UK-born population (12.8 per cent) (Sriskandarajah *et al* 2005).

Chart 6.4 Distribution of gross weekly earnings from main job, 2003-04



The common perception, particularly given recent emerging concerns over 'brain drain' from developing countries, is that immigrants feature predominantly at the high end of the skills spectrum. However, evidence appears to show increasing polarisation among the immigrant population in terms of labour market position. Salt finds that migrant flows are increasingly concentrated at the low-skilled end of the labour market, suggesting a possible overall reduction in the skill level of immigrants (Salt 2004).<sup>38</sup>

Applying for a work permit is one of the main routes for labour migrants to come to the UK to work. From a sample of permits, we can take a closer look at the types of workers coming in through this route. Somewhat surprisingly, work permit holders are not particularly high earners. The most common salary band among the sampled permit holders was £11,000 to £13,999. Even when accounting for the fact that most permit holders will improve their salary, this is still relatively low. The main professions appearing in these lower salary bands are nurses and midwives, other healthcare workers and chefs.

Trends in the UK labour market show growth at both ends of the skills spectrum, to which the current socio-economic profile of immigrants appears to correspond. However, when we examine the Government's policy objectives, the current pattern of migration appears at odds with the promotion of employment for low-skilled domestic workers and the reduction of income inequality across the population (immigrant or not). Over time, given expected changes in the sorts of jobs that the British-born workforce is willing and able to do, these trade-offs are likely to become even more acute. We return to some of these in the section on distributional impacts, below.

### Regional impacts

Regional differences in the UK are well known. Although we no longer hear so much talk of the North-South divide, serious differences in regional outcomes remain, with the South often doing better than other regions. If we take employment rates, the contrast is stark, with some regions such as the South East and South West of England approaching the 80 per cent employment rate in 2004, and others such as the North East and Northern Ireland lagging behind, with rates under 70 per cent (Treasury Regional Economic Performance PSA Indicators). These differences are echoed in levels of household income: in 2003, the region with the smallest gross domestic household income per head was the North East at £10,787, 14 per cent less than the UK average (Marais *et al* 2005). In terms of social security, sickness and disability

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38 It is, however, likely that some migrants are in lower skilled jobs for which they are overqualified, as suggested in a recent study of migrant workers in the East of England (McKay and Winkelmann-Gleed 2005) and a study of low-paid employment in London (Evans *et al* 2005).

benefits feature most prominently across all regions. However, there are regional differences in the proportion of adults claiming these types of benefits. Levels of these benefits in the North East and Wales are twice as high as levels in the East and South East of England (Adams 2005).

Not only are more people unemployed in some regions, these people are more likely to be low-skilled. If we break down the varying regional employment rates by education qualifications, differences are slight for graduate labour and yet are extremely marked for those workers with no formal qualifications. Employment rates for men with no formal qualifications differ across regions by more than 25 points, whereas for graduates the maximum difference is just eight points (Gibbons *et al* 2005). So, the real issue appears to be persistent regional differences in employment rates for the low-skilled.

In order to evaluate the qualitative impact of migration on this picture of regional inequality, it is worth exploring the geographical distribution of migration along similar lines. While it is commonly known that immigrants are concentrated in London and the South East<sup>39</sup>, it is unclear why this is the case and what consequences their geographical distribution has in terms of reinforcing existing regional disparities and/or promoting internal migration.

A recent in-depth study by ippr has explored the new characteristics of the immigrant population based on Census and Labour Force Survey (LFS) data (Kyambi 2005). Analysis of the regional socio-economic profile of new immigrants reveals large variations between regions.<sup>40</sup> Generally, new immigrants are less likely to be employed than the UK-born population. As chart 6.5 shows, employment rates for new immigrants vary significantly between regions with new immigrants being least likely to be in work in Yorkshire and Humberside but more likely to be in work than the British Isles-born population in Northern Ireland. The last fact is interesting, particularly given high overall unemployment in this region.

In terms of educational levels, immigrants tend overall to be concentrated at the high and low end of the qualifications distribution. Drawing an accurate picture of qualifications for immigrants can be problematic given the large numbers of respondents stating 'other qualifications'. This is likely to be because of the difficulty LFS respondents face in categorising their foreign qualifications according to the British system. There are also regional differences in immigrant educational characteristics. In 2004 the

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39 London has seen the greatest total change in population of non-British-born people since 1971, followed by the South East, West Midlands, East of England, North West, Yorkshire and Humberside, East Midlands, the South West, Scotland, Wales, and the North East (Kyambi 2005:22).

40 New immigrants mean for 2004 those who arrived after 1990 and for 1994 those who arrived after 1980 (Kyambi 2005).

Chart 6.5 Employment levels in 2004

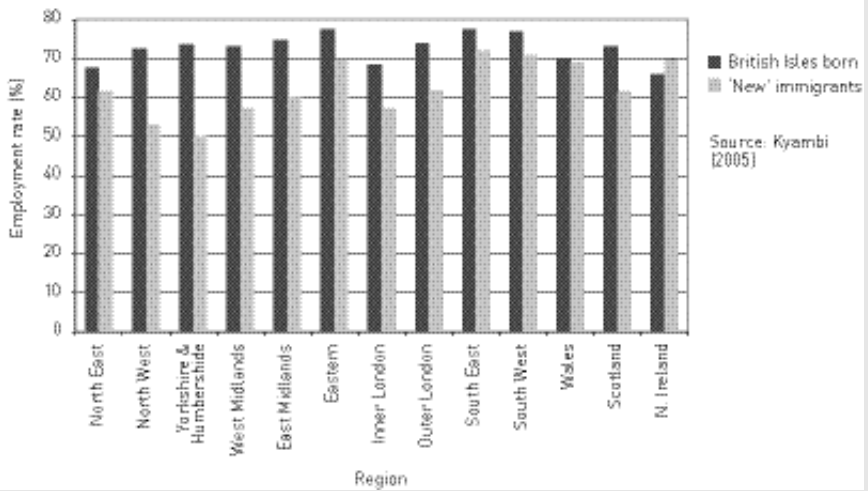
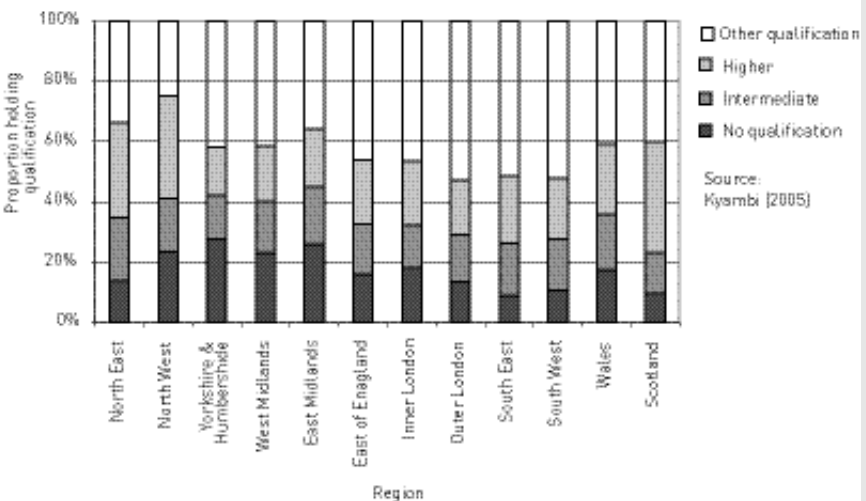


Chart 6.6 Education levels among new immigrants in 2004



highest numbers of unqualified new immigrants were found in Yorkshire and Humberside, followed by the East Midlands, the North West and the West Midlands. The regions attracting the highest proportion of highly qualified new immigrants in 2004 were Scotland, the North West and the North East.

This distribution can be compared with regional educational trends for the overall working age population. Unqualified new immigrants figure predominantly in regions with large numbers of workers with no qualifica-

tions: Yorkshire and Humberside (16.2 per cent), East Midlands (17.1 per cent) and North West (17.5 per cent), compared with the South East (10.6 per cent). However, the story is not that simple. There are some regions with higher numbers of unqualified working age people that do not seem to attract unqualified immigrants, such as Wales (17.1 per cent) and Northern Ireland (23.7 per cent) (ONS 2004a:65).

The case of highly qualified migrants is a more straightforward tale of migration balancing out regional disparities. While people with higher qualifications tend to live in London and the southern regions of England (Dixon 2003), new immigrants with higher qualifications are found in greater proportion in Scotland, the North West and the North East.

It is essential to explore why low-skilled immigrants go to regions where there are people out of work. There is national need, as seen in vacancy rates nationwide, but also at specific regional level. A recent study of migrant workers in the East of England found that the majority of employers interviewed stated a positive impact of migration, particularly due to the lack of available local labour (McKay and Winkelmann-Gleed 2005). Given that it appears that migrant workers are principally complementary to the domestic workforce, we need to look at the factors behind these complex interactions between international migration and unemployment. A key and under-researched element here is mobility of people in search of employment across the country.

If we follow through from the skills differential in regional employment rates, the key issue for the low-skilled unemployed is to be mobile, to go where the jobs are. Interregional mobility is limited in the UK more generally. Only a small amount of the 10 to 13 per cent of working age adults who do move, actually move region.<sup>41</sup> Moreover, mobility is strongly correlated with level of skill. The interregional migration rate for people with degrees, at 2.1 per cent, is much higher than the rate for those with lower levels of education. Those with no qualifications migrate between regions at a rate of just 0.1 per cent (Dixon 2003). Interregional mobility for lower income and lower skilled households appears to be disproportionately limited. There are several likely barriers to mobility for low-skilled workers:

- Limited information: low-skill jobs tend to be advertised locally, unlike high-skill vacancies, which are published nationally (Gibbons *et al* 2005).
- Inflexible social housing: housing benefits are difficult to transfer across regions. The social rented sector has lower rates of mobility between regions than owner-occupation and private rented housing. Even among low-income (less than £10,000 p.a.) households, long distance

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41 Analysis in this area does not distinguish between working age adults born in the UK and born abroad. However, we can assume that it refers largely to the UK-born working population.

migration rates are found to be 50 times higher for private rented tenants than for local authority tenants (ODPM 2005).

- Transport costs: there are of course significant costs to moving long distance, which lower income households may not be able to cover, even with the promise of employment at the other end. Even within the region, a job may be far enough away to carry significant costs, which outweigh the benefit of employment.

Interestingly, the high mobility of immigrants brings into sharp focus the lack of mobility displayed by low-qualified and low-income workers in the UK overall. Immigrants have overcome serious barriers to entering the job market by simply being willing to carry the migration cost as well as developing sophisticated informal information networks. The study of migrant workers in the East of England found that while most migrant workers found their first job through an agency, they were most likely to use word of mouth and family connections to find further employment (McKay and Winkelmann-Gleed 2005).

Even without the barriers to mobility, it is not clear that internal migrants would actually fill all those vacancies filled by immigrants. There are other reasons that might explain immigration into areas of unemployment. As mentioned, immigrants may be doing jobs that the low-skilled UK-born unemployed may not wish to do. Equally, it may be related to ease of access from abroad, which would help to explain the high concentration of immigrants in London and the South East. We need to understand better these driving factors in order to facilitate better opportunity and outcomes for both domestic and migrant workers.

Immigrants also make a qualitative impact at sub-regional level. Local level analysis is needed to explore the real impacts immigrants have on local economic dynamism. By their very nature, migrants should promote labour market efficiency. According to Borjas, immigrants are more likely to chase better economic opportunities than the domestic population, who experience greater costs in moving, and thus help to speed up the process of regional wage convergence: 'Immigration greases the wheels of the labor market by injecting the economy with a group of persons who are very responsive to regional differences in economic opportunities' (Borjas 2001: 4).

Further understanding of the impact of immigrants on the local level provision of public services, such as housing, education and health services, is also required. It is often said that immigrants are concentrated in areas of cheap housing and high unemployment, which is bound to place strain on the provision of services. However, it is unclear to what extent this is true, and whether there are data that helps to understand what types of services immigrants, especially those newly-arrived, require most. Moreover, the implications for existing communities and levels of social deprivation, and in turn community cohesion, are not fully understood. While immigrants



may place strain on the resources within communities, it is also true that inflows of migrants can contribute to the rejuvenation of run-down areas.

Although not necessarily with local rejuvenation in mind, the Scottish Executive has launched a Fresh Talent initiative aimed at attracting skilled migrants to Scotland, so as to respond to its demographic and economic challenges. There is an argument for a national migration system to contain a regional targeting element, such as extra points in a points-based system for regional sponsorship. However, until we have a much better evidence base of the impact of migrants on a specific region or area, such policies would be difficult to formulate with any precision.

### Distributional impacts

Popular concerns that immigrants, particularly the low skilled, push down wages or reduce employment prospects for domestic workers (and in turn, increase wages of the highly skilled, as a result of their increased relative scarcity) are not borne out in the academic literature on the economic impacts of immigration. Most analyses of the empirical effects of immigration on labour markets in the US and, to a lesser extent, in the UK suggest that the impact of immigration on wages and employment prospects is marginal in aggregate terms, although there may be some discernable short-term effects (Borjas 1994, Glover *et al* 2001).<sup>42</sup> While impacts will vary according to economic and social environment, it is thought that, rather than affect wages and employment, migration changes the composition of production output ('output mix'). As long as the output mix is flexible and there is openness to trade, it is feasible that immigrants have little or no impact on wages or employment prospects. A recent Home Office report has shown that there is no strong evidence for the UK that immigration has any large adverse effects on employment prospects or wages of existing residents, seemingly because of its open economy and large heterogeneous traded goods sector (Dustmann *et al* 2003). Instead, the evidence suggests that immigration contributes positively to wage growth through new skills and entrepreneurship.

A more constructive approach to exploring the potential distributional impacts of immigration and how best to optimise its benefits is to try to understand why UK-born low-skilled workers are not doing the low-skilled and low-paid jobs that are being filled by migrant workers. As already discussed, low-skilled domestic workers appear to experience high levels of worklessness and labour market exclusion, despite growth in labour demand in certain low-skilled sectors. This, coupled with the fact that over

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42 Evidence from Australia in fact suggests that immigrants raise the overall employment prospects of unemployed residents in the short term due to the capital they bring with them (Chapman and Cobb-Clark 1999).

one million people on incapacity benefit say that they are willing to work (Stanley and Maxwell 2004), indicates an urgent need to understand better the real barriers to employment for these groups.

The move away from manufacturing and towards services means that, in principle, workers in those sectors in decline have to adjust to fill the demand in the growing sectors. However, their skills and experience are not necessarily transferable, nor are they necessarily able to find similar salary levels to their previous jobs. In the UK, the significant rise in inactivity rates in those areas with marked manufacturing decline, as well as the growth in those claiming incapacity benefit, can to some extent be explained by these difficult transitions (Dixon and Pearce 2005). Equally, the UK-born workforce may be unwilling to do the types of low-skill jobs that are emerging, due to their conditions and pay. As education and living standards rise, occupations such as cleaner and builder may become less attractive to domestic workers, whereas migrant workers appear more willing to fill these vacancies. The extent to which this is true is still not fully understood. As highlighted above, another factor, which is brought into sharp relief by immigration, is the inability of low-skilled, low-income domestic workers to be mobile, to go where the jobs are.

Working out what the barriers to mobility for these groups are, and where the marginal pound would be best spent in enabling them to overcome them, would form a key tenet of an explicit, enabling approach to demography.

As important as the distributional impact of low-skilled immigration is how well previous flows of immigrants are doing in the economy. Here, recent research by ippr (Kyambi 2005) has found huge variations in how different immigrant groups were faring, using Census and LFS data from 2001.<sup>43</sup> Immigrants' experiences vary widely and tend to be more polarised – concentrated at both upper and lower echelons of the skills and income spectrum. The study shows that while some groups were performing above the UK-born average, other country-of-origin groups appeared to be struggling to get by. Certain groups report particularly low weekly earnings. For example, large proportions of new immigrants from Bangladesh, former Czechoslovakia, Hong Kong and China reported earnings below half-median level. Other groups experience higher rates of unemployment. New immigrants from Somalia had particularly low employment at 12.2 per cent. Given that immigrants from countries of birth with predominantly refugee status are frequently those with the lowest socio-economic profiles, this suggests that they are at a disadvantage due to their status as both refugee and asylum-seeking communities. The real reasons for this are still unclear and require further research. The

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43 These variations across immigrants from different origins are echoed in recent research by Dustmann and Fabbri (2005).

linkages between disadvantage and immigration are in stark evidence in London, where 51 per cent of workless households with children are headed by someone who was born outside the UK (Spence 2005). It will be necessary to dig further to find which groups this refers to and what can be done.

One group with particular disadvantage appears to be new immigrants from Bangladesh, who make up the sixth largest foreign-born grouping in the UK. They report low levels of earnings: 63.3 per cent of new Bangladesh-born immigrants report earnings below the half-median level. This trend is echoed in the Bangladeshi community more broadly, including second and third generation of families living in the UK. The Government report on people from minority ethnic communities in the labour market shows that Bangladeshis, along with Pakistanis and Black Caribbeans, experience on average significantly higher unemployment and lower earnings than whites. The same disadvantage is shown in household income levels. While a quarter of white households have incomes at or below the national average, four fifths of Bangladeshi households are at this level (Cabinet Office 2003).

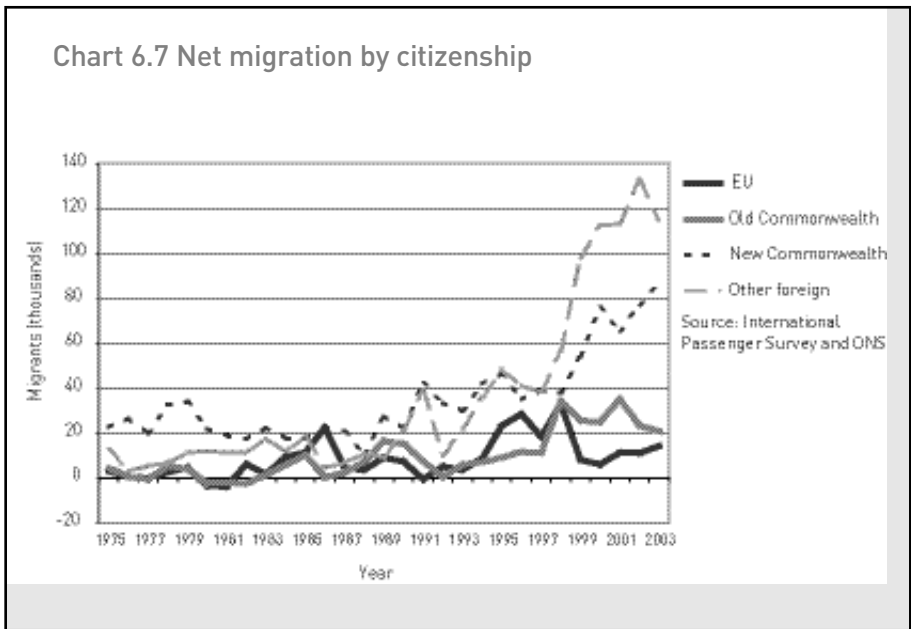
However, it is worth exploring factors that have not yet been taken on board. The interaction of fertility rates with ethnicity and levels of disadvantage has not yet been thoroughly discussed. Bangladeshi, Pakistani and Indian households tend to have higher fertility rates, and thus larger families (ONS 2004b). This means that nearly a third of Bangladeshi families have three or more children, compared with 18 per cent of white families (Willitts and Swales 2003: 11). Children from large families are more likely to be in poverty: in 2002 a third of all children in Britain lived in families with three or more children but half of all children in poverty were in these larger families (Land 2004). The issue here is that the current child support system in the UK may be too biased towards the first child and towards smaller families. Evidence shows that in international comparison, the UK's support to children favours one-child families disproportionately to large families (Bradshaw and Finch 2004). Making the links between available benefits, family size and ethnic group shows how greater understanding of the composition of the immigrant and ethnic population can help policymakers to tackle broader issues of social disadvantage and inequality.

In order to tackle disadvantage, policies must try to reconcile the specific needs of the group, with the support provided by the state. This is no easy task, particularly since the empirical base continues to be piecemeal. There are of course complex and hotly debated reasons for deprivation. It is caused by a variety of inter-connecting factors, such as gender differentials, low qualifications and location, many of which are already recognised by policymakers. In the case of Bangladeshis, this group has low qualifications and is most likely to live in wards with the highest degree of deprivation.

Bangladeshi women are three times less likely to be economically active than other minority ethnic counterparts (Cabinet Office 2003: 26).

### Compositional impacts

We have already seen that the composition of the immigrant population is changing. The recent ippr study shows clearly that immigrants are coming from a more diverse set of countries (Kyambi 2005). This diversity has gone from a bias towards 'old Commonwealth' countries of origin, to higher flows from 'new Commonwealth' countries, such as India and Bangladesh, to now the highest net inflow being from 'other foreign regions'.<sup>44</sup>



Increased diversity of country of origin appears to co-exist with diversity of socio-economic outcome. On the whole, new immigrants are doing well, with the employment gap with the rest of the population closing significantly between 1994 and 2004. Equally, working overseas nationals are less likely to be claiming working age benefit. Data from the Department for Work and Pensions suggests that of those overseas nationals with national insurance numbers who arrived between 2000/01 and 2002/03, around

44 The International Passenger Survey defines the EU as: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden and the Irish Republic. Old Commonwealth includes: Australia, Canada, New Zealand and South Africa. New Commonwealth includes: all other Commonwealth countries, British Dependent Territories and British Overseas Citizens. Other foreign includes: all other countries including Hong Kong (Kyambi 2005).

eight per cent claimed a key out-of-work benefit shortly after their arrival. This compares with around 13 per cent of the overall working age population in Great Britain receiving the same benefits (DWP 2003).

The increasingly varied composition of migration has implications for integration policy and promotion. Attempts to reinvent integration in the light of recent events must capture this hyper-diversity and respond to the needs of all groups. These compositional changes can be related to growing diversity of ethnicity in the UK. Increasingly diverse immigration, coupled with higher fertility rates among some of the non-white resident population, goes some way to explain the huge rise in proportion in minority ethnic communities in England, from 4.6 per cent in 1981 to 8.7 per cent in 2001 (Sriskandarajah 2005). However, neither immigration diversity nor ethnic diversity appears to pose a fundamental challenge to social cohesion. Instead, many non-white immigrants take up British citizenship. For example, more than 70 per cent of people born in the Indian subcontinent, Africa, the Caribbean and Central and South America who have lived in the UK for more than six years applied for British citizenship, as compared with only a quarter of those born in Ireland (Sriskandarajah 2005). It is, rather, the disadvantage experienced by certain immigrant and ethnic groups (often the same ones) that needs to be addressed in order to ensure socio-economic integration.

## Moving beyond numbers

In order to unpack some of the social justice issues raised by immigration, we have to move beyond the narrow focus on the scale of immigration to look at its qualitative impacts, both good and bad, and to recognise areas of reciprocity and trade-offs with other social and economic trends.

This chapter has explored three key aspects of the relationship between immigration and other socio-economic trends. First, it has looked at the labour market impacts, with particular reference to the interactions between the level of demand for low-skilled workers, immigration and unemployment. As discussed, economic migration and social objectives, such as reducing inequality and promoting full employment, are linked. For example, it is not clear why many low-skilled UK-born workers are unemployed, given the level of demand for low-skilled workers, and whether immigration reinforces this disadvantage. Second, in highlighting that the geographical distribution of immigrants is not uniform, particularly when compared with the UK-born population, we have highlighted the interactions between regional disparities, immigration and unemployment. Immigration does to some extent address regional imbalances but the key question remains whether mobility – limited for low-skilled domestic workers and relatively unlimited for economic migrants – is the

principal factor behind geographical employment distributions. Third, in exploring the distributional and compositional impacts of immigration, the chapter has also looked at the interaction between immigration, diversity and disadvantage. The differences in socio-economic outcomes of different immigrant groups and related minority ethnic communities need to be understood better, both for established and emerging communities. We also touched upon causal factors that are relatively unknown, such as the relationship between ethnic group, family size and benefits.

It is worth bearing in mind that these linkages, and the nature of any trade-offs, are likely to change over time. If we look at the interaction between economic migration and national unemployment, it seems obvious that a change in economic fortunes is likely to shift the nature of the trade-offs.

It is clear that there are several obvious and important gaps in our knowledge about these trade-offs. More timely and nuanced evidence is needed in order to answer several pertinent questions:

- Who fills low-skilled vacancies and why?
- Why are low-skilled migrants more mobile than low-skilled domestic workers? What difference does this make for unemployment trends and regional disparities?
- What are the impacts of immigration on local economic dynamism and on local regeneration?
- Why do socio-economic outcomes differ between immigrant groups?
- What factors explain relative disadvantage for certain groups?
- What links can be made between disadvantage of immigrant groups and their related minority ethnic community?

There are also considerable challenges for policymakers. First, they need to recognise the complex linkages between different policy areas. For example, managed migration cannot be easily disassociated from such issues as unemployment, regional disparities, inequality or integration. This means that policymakers need to account for a range of, sometimes contradictory, policy objectives. It also means recognising the complexity of socio-economic outcomes for immigrant groups, both in terms of their causes and in terms of how to redress disadvantage. Policymakers must recognise these complexities in order to provide effective and appropriate policy responses. For example, given the wide differences in outcomes across immigrant groups, integration policy needs to be more responsive to composition differences and more textured in its response.

Second, policymakers need to engage with and address trade-offs between competing economic and social objectives in this area. In the case of immigration, we need to understand better why there is demand for

migrant workers in certain sectors, particularly low-skilled sectors. It may be that there are certain jobs that only migrants will do, given their differing expectations. This is not necessarily a comfortable conclusion; however, the important issue is that these jobs do not lead to exploitation and unacceptable conditions, and that policies are in place to protect immigrants. It may be that there are few real trade-offs, instead immigration providing many benefits, for example in local regeneration. The potential outcomes of cross-cutting analysis should be important for shaping migration policy. However, the current proposed 'managed migration' approach does not display link-up with other policy areas. In other words, the Home Office in making migration policy also requires the input of other departments in order to address some of these trade-offs. The Minister for Demography, Migration and Citizenship, as proposed in chapter 3, could provide the comprehensive overview necessary, linking migration to broader social objectives, and tackling the potential trade-offs involved.

Third, there is a critical need for more nuanced policies to manage migration and its impacts. Complex trends require nuanced policies. If policymakers are serious about promoting better employment opportunities and outcomes for domestic and migrant workers, they must address them together to understand them better. Parallel analysis of immigrants and domestic workers shows that low-skilled demand, unemployment and immigration are related. The apparent variety of reasons for high worklessness among low-skilled domestic workers implies that the current policy of skilling up will only partially contribute to goals of full employment. Mobility appears to be a key factor in the employment opportunities of low-skilled UK workers. However, whether it is the sole reason as to why low-skilled UK workers are unemployed and do not take the jobs being filled by migrant workers is not at all clear.

Finally, it is worth bearing in mind that demographic trends and the likelihood of increased levels of immigration may also hold the potential for a healthier political debate about the merits of migration. As noted in chapter 2 changing the very negative terms in which migration is currently discussed in the UK will be critical in creating the space for a more progressive agenda in this area. If, following the examples of Australia and Canada, immigration could be effectively linked to economic dynamism and improved social justice outcomes, it would help pre-empt the unhelpful politics of immigration that have plagued some European countries, not least the UK. In other words, highlighting the positive qualitative impacts of immigration in achieving economic and social objectives could help create a more conducive political space.

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## Conclusion: A role for government

This report has shown that a sophisticated understanding of demography must be central to successful progressive governance. Without an explicit recognition of the challenges and opportunities created by current trends, politicians and policymakers will needlessly hamper their own efforts.

Government's reluctance to engage in demographic debate, use sophisticated population projections to predict some of the challenges outlined in this report, or acknowledge and assess the demographic impact of policy, has had an array of undesirable effects. It is likely that we have underestimated the salience of Britain's demography for state spending commitments and, moreover, the Government is unable to assess adequately long-term challenges. Further, politicians have been unable to frame demography as a social justice issue, policy is failing to respond to the true spectrum of people's needs, and the Government has lost popular confidence – allowing rumour and misinformation to propagate.

More seriously, the Government has been unable to influence the impact of demographic trends on levels of poverty and inequality in Britain. Our original analysis presented in chapter 1 and appendix 2 shows that the raw effects of changes in household composition – particularly the growth in single person households – fertility trends and an ageing population may account for 20 per cent of the rise in inequality since 1979 (other factors remaining equal).

It is likely that these demographic shifts may have been one crucially unacknowledged factor underpinning stubbornly high levels of inequality between 1996/97 and 2003/04. If Britain's demography had not shifted in these ways, it is likely that inequality would have fallen under those seven years of Labour governance, rather than remain unchanged. Countering the effects of demographic change in certain areas would have helped the Government to reach its child poverty targets.

At worst, continued inaction may leave an unsustainable demographic legacy. At best, it would be a missed opportunity to work towards social justice and improve hundreds of thousands of lives – to remove the barriers that prevent people achieving their demographic aspirations, and instead help them to live in the households they aspire to and have the families they desire, while reducing poverty, inequality and future care needs, and improving environmental sustainability.

The challenge for government is to ensure that the component elements of a population policy amount to a force for progressive change – the examples of France and Italy show that population policy can be regressive. With

an enabling policy approach and a strategy that explicitly responds to people's frustrated ambitions, the Government would be able to balance two key considerations: shifting demographic trends in ways that would reduce poverty and inequality and improve environmental and economic sustainability; and avoiding undue interference in people's private lives.

This enabling approach would frame nascent debates in progressive terms at the outset; the experience of being constantly on the back foot in relation to immigration need not be repeated in other areas. And it would bring a new policy toolkit to bear on established and entrenched concerns, giving new impetus to traditional progressive policy goals such as universal childcare.

## Mainstreaming demography

The first priority for an explicit approach is to openly acknowledge the demographic problems that Britain faces, and the barriers that people face in meeting their aspirations. The importance of the 'baby gap' and the hundreds of thousands of people who are living alone involuntarily should be explicitly recognised. Gaining public confidence requires admitting that there is a problem – and proposing solutions that respond in an enabling way.

## The Minister for Demography, Migration and Citizenship

The crucial first step is to make certain that an explicit and enabling approach to demography has clear lines of ministerial responsibility: without structural reform, a coherent and holistic strategy may fall by the wayside. The benefit of taking an explicit approach to demographic issues in allowing government to project and predict future outcomes, to talk more openly about demography and make clear links between trends would have little policy bite without ministerial responsibility.

Appointing a ministerial position would also be a symbolic first step, clearly communicating the importance of demography to people's lives and the process of policymaking. Broadening the portfolio of (and re-titling) the Minister for Immigration, Citizenship and Nationality would be an effective way to draw the migration debate into a broader demographic context and would avoid expanding the executive. It would clearly signal the Government's intention to take demography on as a policy issue in a transparent and accessible way.

Such an appointment would have the advantage of enabling a minister to set the terms of debate – any opposition party would be forced to respond in kind if it were successfully to engage in political debate.

The new ministerial position should incorporate the existing responsi-

bilities of the Minister for Immigration, Citizenship and Nationality. But it should also include responsibility for identifying upcoming challenges and ensuring that officials are aware of the potential demographic effects of policies, vital to counter the lack of joined-up thinking highlighted throughout this report. Key new responsibilities should include:

- Auditing policy in terms of the potential impact of policies on demography
- Facilitating co-ordinated demographic policy between departments
- Anticipating the impact of population trends
- Advising on the appropriate policy response
- Identifying where there is scope for an enabling approach
- Communicating why we care about demography to the public, and presenting it in a coherent and joined-up way
- Representing Britain in an international context

## Population politics

Although we have made policy recommendations, where suitable, to illustrate how an explicit and enabling approach to demography in Britain could be progressive and popular, our chief goal has not been to prescribe the details. As we have noted, traditional policy solutions exist for many of the problems we have outlined. Nor has it been to provide a cost/benefit analysis of policy reforms that could shift demographic trends and thereby influence levels of poverty, inequality and other measures. Although this should be done, at this stage such detailed assessment would be inappropriate. Rather, our goal has been to show why demographic change should matter to a progressive government, and to illustrate why it should be viewed as an important social justice issue. We hope that our research and analysis will inject fresh thinking into demographic debate and provide government with the political tools necessary to tackle trends that threaten to undermine the pursuit of social justice in Britain.

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# Appendix 1: Modelling demographic pressure on state spending

Chapter 1 reported our modelling of demographic pressure on public spending as a proportion of GDP, using methodology developed by Hawksworth (2005) at PricewaterhouseCoopers and assumptions derived from HM Treasury (2005) to model spending up to 2050 under a range of demographic and economic scenarios, focusing mainly on changes in the employment rate. ippr's extrapolations of the data to 2074 should be understood as being very speculative and are sensitive to changes in many of the assumptions used.

The methodology we have used has five steps:

1. Calculate current public spending per capita by demographic group by category.
2. Make assumptions about how spending levels will grow over time.
3. Use the Government Actuary's population projections, current per capita spending levels and growth assumptions to estimate future total public spending in a range of fertility scenarios.
4. Project forward GDP at current prices.
5. Estimate public spending as a proportion of GDP, under a range of fertility scenarios.

## 1. Current spending

Hawksworth calculates that total public spending per capita (on social protection, health, education and other categories) is £9,454 for children, £6,469 for those of working age and £15,024 for those of pension age, using Budget 2005 documents (Hawksworth 2005: 8), as shown in table A1.1 below.

Table A1.1 Estimated average per capita public spending by age group 2005/06 (£)

Spending by age group and category	Children	Working age	Pension age
Social protection	1,636	1,177	7,430
Health	776	1,040	3,777
Education	3,469	678	244
Other spending	3,573	3,573	3,573
Total per capita spending	9,454	6,461	5,024

## 2. Assumptions concerning spending levels over time

Hawksworth then makes assumptions as to how fast these per capita spending levels will grow in the long term. We have used alternative assumptions in our model, derived largely from the Treasury's *Long-term public finance report* (HMT 2005), as shown in table A1.2.

Table A1.2 Assumed real capita spending growth by age group in the long run (% per annum)

Average real per capita spending growth	Children	Working age	Pension age
Social protection	2.0	1.0	1.2
Health	2.0	2.0	2.3
Education	3.0	2.0	2.0
Other spending	2.0	1.4	2.0

The main assumptions worth noting that underpin these figures are that:

- Real earnings growth in the economy as a whole rises at two per cent per annum.
- Social protection spending on children rises in line with earnings rather than prices but rises more slowly for those of working age and for pensioners. This means that spending on state pensions and public service pensions is limited to 6.6 per cent and 2.1 per cent of GDP in 2054, as per HM Treasury (2005). This effectively results in real social protection spending per capita falling for pensioners.
- Health spending rises faster than other spending, largely due to technological change (Hawksworth 2005), but does not exceed 9.8 per cent of GDP by 2054, as per HM Treasury (2005).
- Education spending remains stable as a proportion of GDP (HMT 2005), but rises considerably faster on children than on other groups as a result of continuing focus on the early years.
- Other spending remains broadly stable as a proportion of GDP (HMT 2005). We have assumed that this requires spending on those of working age to fall in real terms.

Our model uses these assumptions to project forward total per capita spending for each group up to 2074.

## 3. Estimate future public spending in a range of fertility scenarios

The Government Actuary's Department produces several variant sets of population projections (GAD 2005). These let us see how different fertility



rates, migration levels or life expectancies would affect the population size and structure in future years. We use three variants, all of which assume net immigration of 145,000 per annum and a one per cent annual increase in life expectancy from 81.4 for men and 85.0 for women in year 2029. The high fertility variant assumes a total fertility rate of 1.94, the 'no change' variant assumes 1.74 and the 'low fertility' variant assumes 1.54.

Hawksworth (2005) and HM Treasury (2005) use projections up to 2050. We use projections up to 2074, which differ in an important respect: they are only available in five-year age bands, as opposed to single-year age bands. This means that we take children as those aged 0-15, rather than 0-16 as Hawksworth does – though this should make relatively little difference to the overall results.

Our model uses these GAD projections to calculate the number of children, people of working age and pensioners in the UK each year to 2074. It then multiplies these figures by estimated per capita public spending for each year. This gives estimated total public spending under each fertility scenario up to 2074.

#### 4. Project forward GDP at current prices

We follow Hawksworth (2005) in projecting future GDP based on the Treasury GDP estimate of £1240 billion for 2005/06 and an assumed future trend real growth rate composed of two per cent labour productivity growth assumption and employment growth (which is determined by the size of the workforce in each GAD fertility scenario multiplied by the employment rate, which we assume rises by 0.5 per cent per annum up to 80 per cent in 2015 in accordance with the Government's target).

#### 5. Estimate public spending as a proportion of GDP

For each year and each fertility scenario, we estimate public spending as a proportion of GDP by dividing estimated total public expenditure by estimated total GDP for that year and scenario. These figures are reported in chart 1.3.

It is worth noting that our modelling shows broadly similar results to the Treasury's *Long-term public finance report* up to 2054 – the furthest into the future that the Treasury's modelling is reported (HMT 2005). Table A1.3 below compares the Treasury's estimates with those produced by our model up to this date.

Our modelling adds to the Treasury's analysis in two important ways: firstly it shows the effect of different fertility levels on public spending, and secondly it projects spending up to 2074. This reveals that preceding fertility levels begin to make an increasingly important difference to public spending after 2054.

Table A1.3 Projected total public spending as a proportion of GDP up to 2054-55 using principal population projections variant (%)

	2014-15	2024-25	2034-35	2044-45	2054-55
Treasury projections	41.2	42.1	43.6	43.9	45.3
ippr model projections	39.8	41.2	43.9	43.9	45.2

Source: HMT (2005)

## References

Note: web references correct January 2006

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Hawksworth J (2005) *How far can a higher employment rate offset the upward pressures on public spending as the UK population ages?* London: PricewaterhouseCoopers

HM Treasury (HMT) (2005) *Long-term public finance report: an analysis of fiscal sustainability* London: TSO

# Appendix 2 Modelling demographic pressure on poverty and inequality

Howard Reed

Chapter 1 reported ippr's econometric modelling, which reveals for the first time the impact demographic change may have had on levels of poverty and inequality in Britain over the last 25 years.

If Britain's demography – understood in terms of fertility and household composition patterns and an ageing population structure – had not altered as it did, it is likely that inequality would have fallen under the Labour Government over this period, although it is important to bear in mind the complex interplay between demographic trends and the interaction between these trends and other changes to the labour market, welfare system and society.

Our modelling shows that approximately one fifth of the enormous rise in the Gini coefficient between 1979 and 2003/04 was due to changes in household composition – particularly the growth in single person households – ageing, and shifting fertility patterns, all trends that are projected to continue over the coming decades.

It also reveals that if Britain had had the same household composition, fertility patterns and age structure in 2003/04 as it did in 1979, there would be 240,000 fewer households in poverty<sup>45</sup>, 280,000 fewer pensioners in poverty and 70,000 fewer children in poverty (other factors remaining equal).

This appendix describes the data and methodology underpinning our econometric analysis.

## Data

We use two data sets: the Family Expenditure Survey (FES) for the calendar year 1979 and the Family Resources Survey (FRS) for the financial year 2003/04. The Family Expenditure Survey was an annual cross-sectional survey of household expenditure and individual income covering about 7,000 households each year. Until 1994 it was the main source of data on the income distribution in the UK (used in the UK Government's official income distribution statistics). The FRS is an annual cross-sectional survey of household and individual incomes and other characteristics. It is bigger than the FES, covering approximately 27,000 households per year.

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45 Poverty rates measured before housing costs on a 60 per cent of median-equivalised income measure and reported to the nearest 10,000.

## Methodology

The key concept in this analysis is that of a *demographic profile* for the UK in a given year. In any household-based<sup>46</sup> survey containing information on a vector of  $n$  household characteristics  $z$  (where  $z$  includes such characteristics as age of head of household, number of adults in household, number of children in household, and so on), we can arrange these characteristics  $z_1, z_2, \dots, z_n$  into discrete indices. (For discrete categories such as ‘number of children’ this is a trivial process, for example {no children, one child, two children, more than two children}.) For continuously distributed variables such as age it is done by *banding* the variable into categories, for example {16-24, 25-34, 35-44, ..., 75 or over}.

For this exercise the 2003/04 FRS and the 1979 FES were both grouped into categories, defined in each case on the basis of the following variables:

### Household composition: five categories

- single childless man
- single childless woman
- lone parent
- married or cohabiting couple
- household with multiple single people, multiple married/cohabiting people or mixture of married/cohabiting people.

### Average age of adults in household: eight groups

- 16-24
- 25-34
- 35-44
- 45-54
- 55-64
- 65-74
- 75-84
- 85 or over.

### Number of children in household: four groups

- no children
- one child
- two children
- three or more children

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46 Note that the definition of household here is a group of people living at the same address who share common living facilities (e.g. lounge, kitchen) This is, in many cases, a larger unit than a family because some households can consist of more than one family, or of several single people.

Age of youngest child (if household has children): three groups

- 0 to 4 years
- 5 to 10 years
- 11 years or over

The theoretical maximum number of cells here is 280. In practice, however, many of the groups do not exist in the data, although this does not affect the validity of the analysis.

The FRS and FES data are both classified into cells based on combinations of the characteristics shown above. An example of a cell would be {households with a lone parent, aged 35-44, with two children, youngest child aged between 5 and 10}.

Hence, for each FRS cell  $k_{FRS}$ , the number of households in that cell as a proportion of the total FRS can be calculated as

$$\rho_{FRS}^k = \frac{(\text{number of households in cell } k_{FRS})}{(\text{total number of households in FRS})}$$

And for each FES cell  $k_{FES}$ , the number of households in that cell as a proportion of the total FES can be calculated as

$$\rho_{FES}^k = \frac{(\text{number of households in cell } k_{FES})}{(\text{total number of households in FES})}$$

The *relative weight* of households in cell  $k_{FES}$  compared with households in cell  $k_{FRS}$  is given by

$$\omega_k = \frac{\rho_{FES}^k}{\rho_{FRS}^k}$$

This relative weight is a measure of how much more or less likely it is that households of a certain composition, age profile and number and age of children will be found in the 1979 FES relative to the 2003/04 FRS.

This estimation strategy is effectively a nonparametric analogue to the regression-based approach taken by Daly and Valetta (2004) to measure the contribution of demographic factors and changes in the underlying income distribution to explaining trends in income inequality in the US. The regression-based approach has the advantage of making it easier to decompose trends into different demographic factors (for example, assessing the relative contribution of changes in the population age distribution to inequality and poverty compared with the contribution of changes in family composition.) However, in this project we have restricted ourselves to estimating the *overall* impact of demographic shifts between 1979 and 2003/04, and for this the nonparametric approach offers maximum flexibility and ease of estimation.

### Grossing factors

There is one crucial further step which would improve the accuracy of the analysis: ideally we would also use the *grossing factors* in both datasets to gross up the number of households in each cell in the FES and FRS to the relevant population totals for 1979 and 2003 respectively. Unfortunately, however, the grossing factors for the FES are not available from the UK data archive for any year prior to 1998. Thus we have left the data ungrossed.

This is valid under the assumptions that (a) the interview selection criteria for the 1979 FES (in terms of stratification, the way clusters are selected, and so on) and the 2003 FRS are the same, and (b) levels of non-response to each of the surveys does not vary systematically by demographic group. Each of these assumptions is fairly stringent but both are impossible to check without more detailed information on the sampling strategy and rates of non-response than are available in the public documentation for the 1979 FES in particular. With this in mind our eventual results should be viewed as approximate estimates only. We hope to carry out more detailed work on this topic in the future, using a dataset with a consistently defined set of weights over time (for example, the General Household Survey).

### Calculating inequality and poverty statistics for the 2003/04 sample

The inequality and poverty statistics we use are based on income which has been equivalised using the McClements scale to take account of family size.<sup>47</sup> The income definition used was chosen to match the Department for Work and Pensions 'Households Below Average Income' (HBAI) definition as much as possible. Thus it includes all sources of disposable income (earnings after tax and national insurance, benefits and tax credits, and other unearned income) and is measured before housing costs.

The inequality statistic we use is the Gini coefficient. The Gini Coefficient is a widely used summary measure of inequality that condenses the entire income distribution into a single number between zero and one, with a higher value corresponding to a greater degree of income inequality. A value of zero represents 'total equality' with each household having exactly the same income. A value of one represents inequality in its most extreme form with a single household having all the income in the economy.<sup>48</sup>

The poverty statistics are calculated using a poverty line set at 60 per cent of median household equivalised disposable income in 2003/04. Median income figure (Before housing costs) for 2003/04 was £336 (DWP 2005).

We calculated three different poverty rates:

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47 For more information on the McClements scale see DWP (2005), Appendix 6.

48 For more information see Brewer *et al* 2005, appendix B.

- Overall poverty – the total number of people in the UK living in households below 60 per cent median household income.
- Child poverty – the number of children in the UK living in households below 60 per cent median household income.
- Pensioner poverty – the number of pensioners in the UK living in households below 60 per cent median household income.

### Calculating equivalent statistics for the 2003/04 sample using the demographic profile of the 1979 sample

The inequality and poverty statistics are then recalculated using the relative weights calculated earlier to reweight the 2003/04 FRS data so that it takes on the demographic characteristics of the 1979 population. Thus, households with demographic attributes that were more common in 1979 than in 2003 will receive a higher weight in these ‘2003/04 data with 1979 demographic profile’ statistics, whereas the converse is true for households with demographic attributes which were less common in 1979 than in 2003.

Note that this methodology assumes that all other aspects of the 2003/04 data are unchanged. In particular, the income and earnings distributions in 2003/04 are assumed unchanged (conditional on age and household type). Thus, it is a way of deriving the ‘pure’ impact of demographic change on poverty or inequality statistics. This decomposition process is rather artificial: in reality it is doubtful that the changing age and household structure of the population can be separated from changes in underlying economic variables such as the income and earnings distribution. For example, if levels of income have a causal impact on health (as many studies in the health literature suggest) then there will be knock-on effects on the age structure of the UK that result from changes in the distribution of income and earnings in the 1980s and 1990s. Likewise, it is probable that at some margin income and wage levels affect the decision whether to have children.

## Results

Tables A2.1 and A2.2 below contain detailed results of the analysis, showing the estimated impacts of demographic change. These are discussed further in chapter 1 in the main report.

**Table A2.1 Impact of demographic change since 1979 on Gini coefficient**

Data used	Calculated Gini coefficient
1979, actual (FES)	0.25
2003/04, actual (FRS)	0.34
2003/04 with simulation of 1979 demographic profile	0.322

Table A2.2 Impact of demographic change since 1979 on poverty rates

- A. Number in population, millions
- B. Poverty rate (official statistics)
- C. Number in poverty, millions
- D. Poverty rate (1979 demographics), %
- E. Number (1979 demographics), millions
- F. Fall in number
- G. Reduction in poverty rate (% pts)

Group	A	B	C	D	E	F	G
all	24.1	17.0	4.10	16.0	3.85	240,000	5.9
children	12.5	21.0	2.56	20.0	2.49	67,000	2.6
pensioners	10.3	21.0	2.16	18.3	1.88	279,000	12.9

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Note: web references correct January 2006

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