



The State of the Nation

An Audit of Injustice in the UK

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Introduction

Ten years ago, ippr published the landmark report of the Commission on Social Justice, *Social Justice: Strategies for national renewal*. In the run-up to the 1997 general election this book played an important role in changing the public debate about Britain's future. It set out a clear diagnosis of what was wrong with Britain in the early 1990s; how the social and economic forces transforming the country could be harnessed to a progressive vision of the future; and how a comprehensive reform programme could achieve that vision.

Despite considerable attention to social justice, few if any comprehensive attempts have been made since 1994 to update *Social Justice: Strategies for national renewal*. ippr proposes to do just this. In a flagship publication to be released later this year, we will bring together a selection of leading thinkers to ask: where next on the road to social justice in the new century? Although the ten-year anniversary of the Commission on Social Justice is our starting point, the book will be an exercise in rethinking social justice for the next generation. Its objective will be to renew and extend the debate on social justice in a clear and accessible way.

To assess the scale of the challenge we face and to help prioritise action, we need to start with a clear assessment of Britain in 2004. This interim paper provides an overview of the *state of the nation*. Where appropriate it draws upon international comparisons to show where the UK does relatively well and where it lags behind its European and international partners.

In many respects Britain has become fairer in the last ten years. The economy has experienced steady growth since 1993, employment rates have increased and registered unemployment continues to fall. The government's commitment to reducing child poverty has thus far been successful, with tax credits and an emphasis on the importance of work forming the central planks of policy. Life is improving in many ways for the very worst off. The nation is healthier, living longer and experiencing far less crime than a decade ago.

Yet, despite these improvements, Britain is far from being a progressive or just society. Levels of child poverty continue to surpass those of many of our more successful European partners, and inequalities in income, wealth and well-being remain stubbornly high. Parental social class and ethnic background still heavily influence life-chances, whilst democratic participation is falling and political influence is polarising according to class and wealth. Despite significant extra resources for the public services and the reduction of poverty over recent years, major progress is still need to transform Britain into a truly prosperous, fair and decent society. This paper sets out the state of the nation in 2004, seen through the lens of social justice.

Elements of social justice

In 1994, the focus of the Commission on Social Justice was on the core building blocks of domestic public policy: education, employment, social security and community renewal. The injustices which motivated the Commission were primarily those of poverty and unequal life chances. Ten years on, acute injustices remain in all these areas of policy, some of which are highlighted below. Sections 1 to 3 of this report – ‘Poverty’; ‘Prosperity and Inequality’ and ‘Social Mobility and Life Chances’ – cover ground which would have been familiar to the commissioners in 1994. There are many crossovers between these different categories and possible trade-offs between achieving objectives in each, which we do not discuss in detail in this paper. For example, if our primary objective was intergenerational social mobility, it would have implications for how much progress could also be made on sharing prosperity and tackling poverty.

While the underlying principles of social justice, and many of the issues they apply to, may have changed little in the last decade, there have been noteworthy developments unforeseen by policymakers in the early 1990s. The world does not stand still: technological and scientific advances, for example in the area of genetics, raise difficult challenges for progressives and new divides are emerging. There appear to be growing disparities in democratic and civic participation and this is an issue explored in the fourth section of the paper, ‘Equal Citizenship?’

It is not just the world that has changed. The political philosophy of social justice has also evolved. There has been heated debate about what kind of equality we should care about. What should the currency of justice be? Broadly speaking, social justice remains concerned with a fair distribution of advantages across society, but what do we mean by ‘advantages’? What are the goods and bads, the distribution of which we should be concerned with? Recent thinking, although retaining an important role for resources such as income and wealth, has brought into play other factors, such as people’s subjective well-being.

One noteworthy recent development has seen an old political discourse – that of utilitarian economics – take on a new guise, in the form of debates about happiness and well-being. The notion that government should seek to influence happiness (or subjective well-being) has been used to challenge current public policy on issues such as work-life balance, mental health care provision and local quality of life. These new approaches are already reframing many public policy debates. In the final section of this paper – ‘Quality of Life’ – we assess some of these issues.

As the world and our views about which inequalities matter change, so too must the centre-left’s thinking about priorities for public policy. What are the old injustices with which we should still be concerned? What other issues should we take account of? We do not claim to be comprehensive here. We do not, for example, look in detail at disability rights, recent trends in immigration, issues raised by advances in genetics or global inequalities. We do not, in considering quality of life in Section 5, examine environmental issues and trends in the workplace in detail.

Introduction

Instead we have sought to delineate some key trends in social injustice in Britain today, while at the same time telling a story about what has changed since 1994, when the original Commission on Social Justice reported. The overall picture is mixed. While there has been considerable progress, important challenges remain.

The final section highlights ten key facts about continued injustice in Britain today.

Section 1: Poverty

It is one of the current government's greatest achievements that poverty is no longer a dirty word. In 1994, it would have seemed unthinkable that a UK government could commit itself to the abolition of child poverty, and would now be closing on its initial targets. Yet it is now accepted by most academics and politicians across the political spectrum that poverty matters.¹ The box on page 9 outlines some of the consequences of living in poverty in the Britain today, particularly as a child.

There is less agreement on what actually constitutes poverty. Most now accept that poverty is a *relative* concept (although the government's new measure of child poverty, which we discuss below, raises some questions about this). What counts as poverty in Britain in 2004 is very different to poverty in Britain in 1904, or to Rwanda in 2004. This is reflected in the choice of the most widely agreed international measure: that an individual suffers from poverty if his or her income is less than 60 per cent of contemporary median income. In Britain in 2002/3 this was £94 per week for a single person, £172 for a couple with no children and £175 for a single person with children aged 5 and 11, after housing costs (DWP 2004).

But whether this measure is sufficient has been a subject of much debate. Academics have questioned the centrality of using income as the only, or even primary, measure of disadvantage. For example, there has been much debate since 1994 about 'social exclusion'. The term is difficult to define, although it is clear that social exclusion is both *multi-dimensional* (covering clusters of attributes around 'consumption', 'production', 'political engagement' and 'social interaction') and *dynamic* (it does not just look at snapshot data but at how people's positions change over time).² The data in this paper captures many of the central aspects of social exclusion – poor health, worklessness, low levels of civic participation and so on – but in this section we focus on the measure of poverty adopted in government targets since 1997 (60 per cent of median income) and the recently-proposed new measure of child poverty.

In this new measure, the 60 per cent of median income measure will remain central but it will be complemented by other indicators.³ Progress will be made towards tackling child poverty only when improvements are observed against all three of the following tiers are identified.

¹ See the right-wing think tank Policy Exchange's contribution to a recent Joseph Rowntree Publication, *Overcoming disadvantage: an agenda for the next twenty years*, for an example of a change in approach. Available at <http://www.jrf.org.uk/bookshop/eBooks/1859351433.pdf>

² For a full discussion of debates on social exclusion see Hills, Le Grand and Piachaud (eds) 2002.

³ For further details on the Government's new measure of child poverty see <http://www.dwp.gov.uk/consultations/consult/2003/childpov/poverty.pdf>

Poverty

- *Absolute income*

The number of children living in households with a contemporary equivalised (taking account of household composition) income of less than 60 per cent of median income in 1998/9 on a Before Housing Costs (BHC) basis.

(While, as we noted above, most people seem to have accepted a relative measure of child poverty, the inclusion of an absolute income component in the new measure suggests the government still sees some merit in an absolute measure. Whether this is a positive step is debatable. There is a danger that future governments could use progress against the absolute measure as a fig leaf if they fail to make progress against a more demanding relative measure.)

- *Relative income*

The number of children living in households with an income of less than 60 per cent of contemporary median income *before housing costs have been taken into account (BHC)*.

(The use of a BHC measure here is a significant new development. In the past government has used a measure of poverty after housing costs (AHC) have been taken into account. We explore this further below.)

- *Low income and material deprivation*

The number of children living in households with an income of less than 70 per cent of contemporary median income before housing costs, and suffering from material deprivation.

(The exact measure of material deprivation is yet to be confirmed but a measure similar to that used in Ireland is likely to be adopted.⁴)

Why poverty matters

Children who grew up in poverty in the 1970s did consistently did worse at school, were six times less likely to enter higher education, one and a half times more likely to be unemployed and earned ten per cent less during their lifetimes than those who did not experience poverty as children (Gregg *et al.* 1999).

As well as appearing to reduce longer-term life chances, poverty has an immediate impact on children's health and well-being. The list of disadvantages which are correlated with poverty is long, but to give just a few examples: in 2003, children of fathers in the lowest social class were twice as likely to die within one year of birth (ONS 2001), five times more likely to die in a traffic accident and 15 times more likely to die in a house fire than those from the highest social class (DoH 2003).

In the remainder of this section we assess the progress that has been made on tackling poverty. We focus predominantly on the 60 per cent of median income measure as it is the most suitable for making international comparisons and

⁴ For a fuller discussion of the Irish measure see <http://www.ippr.org/research/files/team24/project73/brainnolanpres.pdf>

assessing trends over time. Where relevant we make reference to some of the recently-announced changes and their potential implications.

Tackling poverty: three tiers of ambition?

Using the 60 per cent of median income after housing costs measure to look at overall levels of poverty for all groups in society, there has been significant progress in the last decade. In 1994 the Commission on Social Justice deliberated in far less auspicious circumstances. UK poverty levels had increased dramatically during the 1980s: in 1981 15 per cent of individuals lived in households in income poverty but by 1993/4 this had risen to 24 per cent. By 2002/3 however the overall percentage of people living in poverty had fallen to 22 per cent or 12.4 million people (DWP 2004). This fall has, at least in part, been due to lower unemployment and rising levels of employment. Unemployment measured using the International Labour Organisation (ILO) definition was 4.7 per cent in March 2004 – an historic low compared to 11.9 per cent 20 years ago and 10.6 per cent ten years ago (ONS 2004).

This reduction in poverty is a significant achievement and one of which the government can be proud. However, a closer look at the government's anti-poverty agenda, beyond the aggregate figures, reveals a more differentiated approach. It can be divided into three tiers of government ambition:

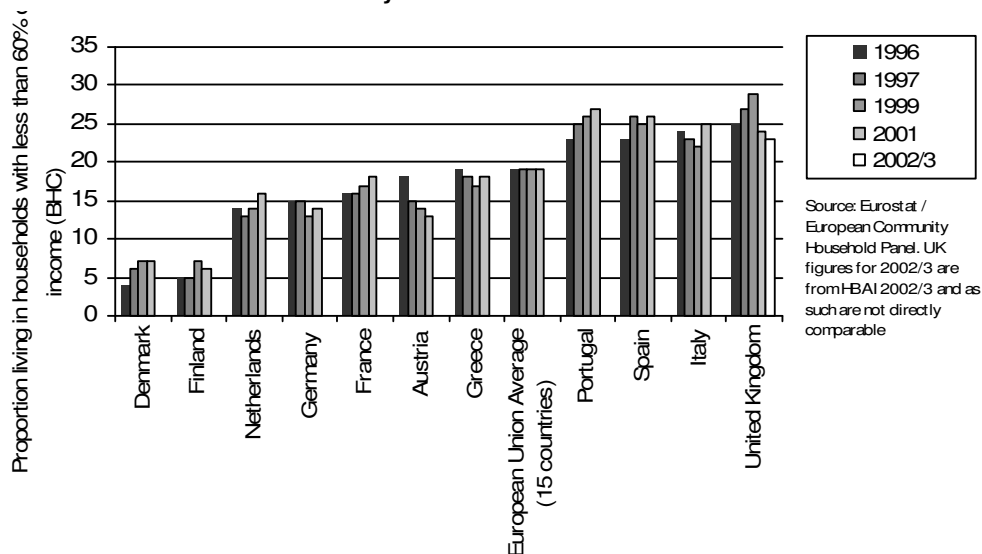
- *An explicit aspiration and a target*
This is the case with child poverty. In 1999 the Prime Minister stated that 'our historic aim [is] that ours is the first generation to end child poverty forever... It's a 20-year mission but I believe it can be done' (Blair 1999). The government has subsequently set Public Service Agreement targets for reducing child poverty by at least a quarter by 2004/5, as a contribution towards the broader target of halving child poverty by 2010/11 and eradicating it by 2020 (HMT 2004). The recent 2004 Spending Review confirmed the 2010/1 objective, setting a target for child poverty to reach half the level it was in 1998/9 by 2010/1 (HMT 2004a).
- *An explicit aspiration but no target*
Pensioner poverty falls into this category. The Chancellor has said that he aspires to end pensioner poverty but no specific target has been set outside one to increase take-up of the pension credit, the means-tested benefit which has replaced the Minimum Income Guarantee (DWP 2004a).
- *Neither an explicit aspiration nor a target*
Groups, such as working-age single adults or couples without children who are out of work, fall into this category. They have been targeted by welfare-to-work programmes and will benefit from the National Minimum Wage and Working Tax Credit if they find work. Yet, if they do *not* find work their situation has barely improved since 1997. Below we refer to these as the government's 'unfavoured groups'. We leave as an open question how concerned we should be about them.

In the remainder of this section we look at the groups who fall into these different tiers of government ambition. Finally we address the need to tailor policies to hard-to-reach groups, particularly those who experience persistent poverty.

Child poverty: mid-table respectability or champion’s league material?

The reduction in poverty has been particularly significant for households with children. In 1998 the UK was bottom of the European league, with the highest child poverty rate in the EU, but by 2001 the UK had risen to 11th out of 15 (Eurostat 2001). It looks likely that the government will succeed in reducing child poverty by a quarter between 1999 and the current financial year, which was the first target set (IFS 2004). Yet, as Chart 1 shows, total child poverty remains high by international standards. Compared to the best-performing European countries the UK still has a shameful record. Twenty three per cent of children in Britain lived in households earning below 60 per cent of median income in 2002/3, compared to just five per cent in Denmark, ten per cent in Sweden and 14 per cent in Germany in 2001 (Eurostat 2001). To continue to make progress the government will need to increase the Child Tax Credit in line with earnings growth beyond 2005, or seek to influence the underlying distribution of income.

Chart 1: Recent child poverty levels: where does Britain stand internationally?



The UK has also performed far better in the past. Only ten per cent of children lived in poverty in 1968 (JRF 1999) and we are still a long way from achieving the 1979 level of 12 per cent (DWP 2003). If we aspire to the abolition of child poverty we face difficult policy questions about the limits of current approaches. How far can tax

Poverty

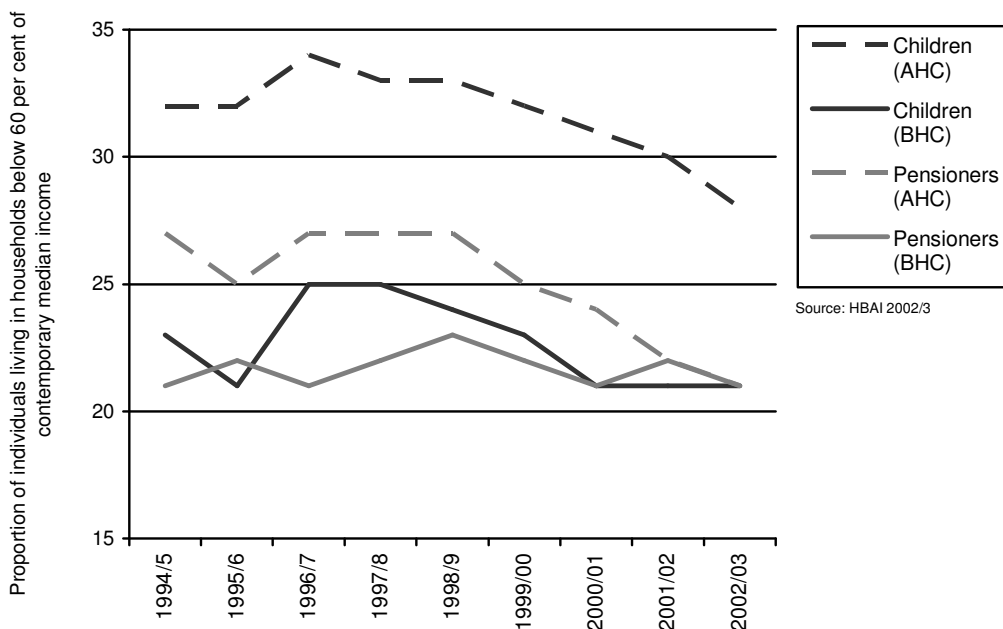
credits and welfare-to-work programmes be taken? What would the implications of an economic downturn be? To halve child poverty, it has been suggested the government would need to spend one per cent of GDP in child tax credits or achieve a substantial rise in rates of parental employment (IFS 2003).

Pensioner poverty: another target needed?

At the Labour Party conference in 2002 the Chancellor stated that ‘our aim is to end pensioner poverty in our country’. As with child poverty, resources have been put into tackling pensioner poverty but, unlike child poverty, no official targets have been set. As a result, will there be less attention and resources devoted to tackling pensioner poverty? It is a national badge of shame that we fail to ensure adequate incomes in retirement, and that many pensioners cannot afford to heat their homes – 20,000 more die in the winter months than in the summer each year (ONS 2002). Consideration could be given to establishing an explicit target to abolish pensioner poverty.

Setting such a target would be complicated by difficult debates over how to define pensioner poverty. Chart 2 shows what has happened to poverty levels for children and pensioners since 1994/5. It shows the changes measured both on a BHC and an AHC measure. This is important because the Government has decided to measure child poverty on a BHC rather than AHC measure, which has been controversial because it makes it more likely to meet its targets.

Chart 2: The proportion of children and pensioners in poverty



So will adopting a BHC measure also help the Government in relation to pensioner poverty? It would seem not. Chart 2 shows that, while on an AHC measure pensioner poverty has fallen from 27 per cent in 1994/5 to 21 per cent in 2002/3, on a BHC measure there has been no change over the same period. After a slight increase to a peak of 23 per cent in 1998/9, levels of pensioner poverty returned to 1994/5 levels of 21 per cent in 2002/3. There is a danger that by moving to a new, softer measure of child poverty, the government will be hoisted by its own petard when it comes to considering any future pledge to abolish pensioner poverty.

Another complication is that reducing pensioner poverty, regardless of the measure adopted, relies on increasing the take-up of means-tested benefits. If the Pension Credit were set at a level where the lowest award possible was above any pensioner poverty line then, in theory, pensioner poverty could be reduced and even abolished. On an AHC measure the Pension Credit is very close to this level but take-up remains a significant problem. Of the estimated £1.4 billion of unclaimed income-related benefits to which pensioners were entitled in 2000/1, the Minimum Income Guarantee accounted for almost a half, while Council Tax Benefit accounted for around a third (DWP 2003a). More recently, take-up campaigns have led to some progress with an increase in the number of pensioners claiming the Pension Credit, but it remains the case that approximately 1.25 million pensioner households are not claiming means-tested benefits to which they are entitled (DWP 2004a).

Working-age adults: No target and no aspiration?

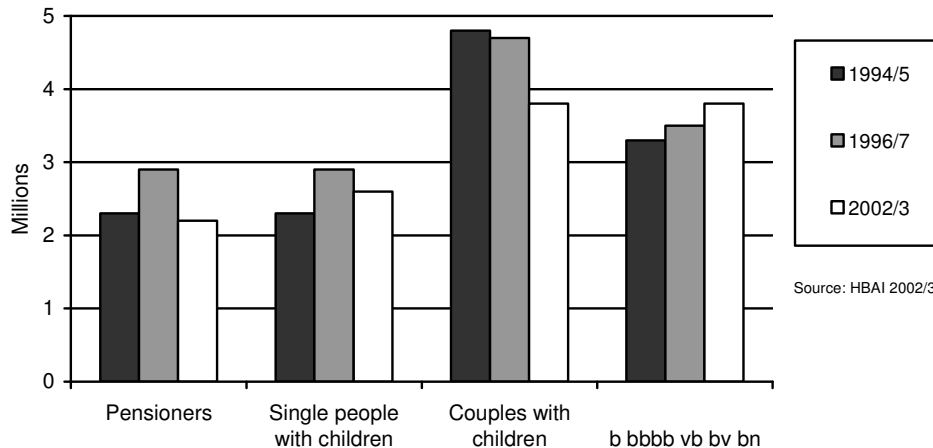
What of the unfavoured groups? Reductions in poverty have been largely restricted to certain groups – on a BHC measure it is only children, and on an AHC measure it is children and pensioners. Other groups have fared less well.

The composition of households in poverty shows that a greater proportion were working-age adults without children in 2002/3 than in 1994/5 (DWP 2004). In 1994/5, of individuals in households with less than 60 per cent of median income AHC, only 15 per cent were single without children. By 2002/3 this same group made up 22 per cent of households in poverty. However, pensioners and households with children decreased in significance, from 24 to 20 per cent and 53 to 50 per cent respectively.

But the composition of households in poverty does not tell us whether groups have benefited in absolute terms, rather than relative to one other. In other words, we might not be overly concerned if child and pensioner poverty were falling fast and poverty among those of working-age without children was also falling, but at a slower pace. However, this does not appear to be the case. Chart 3 shows how the number of individuals in poverty has changed between 1994/5 and 2002/3, comparing different groups. The number of working-age adults without children in poverty has risen from 3.3 million in 1994/5 to 3.8 million in 2002/3, whilst the number of couples with children in poverty has fallen from 4.8 million to 3.8 million. The figures for pensioners and single people with children have also shown decreases since 1996/7, but less dramatic changes since 1994/5.

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Chart 3: Number of individuals in households below 60 per cent of median income 1994/5, 1996/7 and 2002/3 (AHC)



Source: HBAI 2002/3

Note: This chart does not account for changes in the overall sizes of the different groups, but between 1994/5 and 2002/3 such demographic changes are likely to have had only a small impact.

Government policy is contributing directly to this problem. Benefit rates for the unfavoured groups have not kept pace with average income. In most cases they have remained linked to prices rather than earnings. So these groups have slowly seen the value of their benefits eroded in comparison with other poor households and the population at large. Later in this paper, when we discuss income inequality, further data appears to confirm that these unfavoured groups are being left behind.

There are good reasons to be more concerned about children and pensioners. They tend to be more vulnerable, and in the case of children, poverty can have insidious effects on later life chances.⁵ It is also true that for some of these unfavoured groups the government has concentrated on strategies to sharpen work incentives and reduce in-work poverty, with tax credits and the National Minimum Wage.

But this does not mean that individuals in these groups do not matter when they are out of work. One specific issue concerns young adults who will have children in the near future. Even if we do not consider the poverty of adults to be as important as that of children, it would make sense to consider the needs of this group from a child poverty perspective.

Hard-to-reach groups

⁵ Disabled people of working-age without children complicate this picture somewhat. We have not examined the disabled in detail in this paper.

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Overall levels of poverty have been reduced. Yet there have been concerns that government policy would only benefit the 'low-hanging fruit' – those just below the poverty line. The Social Exclusion Unit recently assessed government progress and highlighted the need to consider particularly hard-to-reach groups. Examples included the homeless, teenage mothers, and pupils excluded from school. The data on these groups present a somewhat mixed picture.

Although street homelessness has fallen, the number of households in temporary accommodation has continued to rise since 1997. In 2002/3, 129,000 applications were accepted as being homeless and in 'priority need', an increase of ten per cent on 2001/2 (ODPM 2004). As regards teenage pregnancy, the number of births to girls conceiving under age 16 fell by a fifth from 1996 to 2002/3, but the UK continued to perform poorly by international standards. The latest figures show the UK teenage pregnancy rate was still more than double that of Germany, three times that of France and nearly five times that of Italy in 2001.⁶ And the number of permanent school exclusions fell dramatically between 1996/7 and 1999/2000, but has risen consistently since then.

Below we assess two further hard-to-reach groups: ethnic minorities and those living in 'persistent poverty'.⁷

Ethnic minorities

Large parts of Britain's ethnic minority population continue to suffer inequality of opportunity and poor living conditions, although there are important differences between ethnic groups. Indians and the Chinese are somewhat worse off than Whites, but Black (particularly non-Caribbean), Pakistani and Bangladeshi families and households are far more likely to be in poverty than the average. On an AHC measure, 69 per cent of Pakistani or Bangladeshi individuals were in poverty in 2002/3, compared to 22 per cent of Indians and 20 per cent of Whites (DWP 2004). These disadvantages spill over into other areas. In 2003, Pakistani and Bangladeshi people were three times more likely than Whites to live in unfit housing and report bad health, and black pupils were three times more likely to be excluded than white pupils (White 2002).

One possible explanation for the continuing inequality of opportunity experienced by some ethnic minority groups is the gap between white and ethnic minority employment rates, which increased between 1997 and 2001 (PIU 2002). This overall picture masks some even more worrying trends. For some groups such as Pakistani and Bangladeshi women, there are traditions of non-participation in the labour force (DWP 2003b). In 2002 only 25 per cent of Pakistani and Bangladeshi women were in

⁶ In the UK the rate is 30.8 per 1000, while in Germany it is 13.1, in France 9.3 and in Italy 6.6 (UNICEF 2001).

⁷ For reasons of space we have chosen to focus on these two issues. A number of other groups also warrant further policy attention. As well as ethnic minorities the links between disability and poverty could have been outlined. The disabled have low employment rates, approximately one in three children in poverty live in a household with at least one disabled adult and the number of people on disability benefits has increased significantly in recent decades. Likewise, although we have chosen to focus on persistent poverty, policy-makers should also be concerned with the 'poverty gap', or the depth of poverty. For a recent assessment of this issue see Adelman *et al* 2003.

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the labour market. This is considerably below the next worst-performing group, black women of African origin, of whom 49 per cent were in the labour market (EOC 2003). This may partly be due to limited English language skills and an increased incidence of Pakistani and Bangladeshi women living in areas with high levels of worklessness.

In 2002/3, whilst 40 per cent of white young people left the New Deal to enter sustained employment only 31 per cent of young people from ethnic minority groups did so, largely because ethnic minorities tend to live in areas where the New Deal is performing worst (TUC 2003). Other factors influencing ethnic minority unemployment may include lower education levels and poorer language skills. There is also evidence that although direct discrimination is illegal, 'indirect' discrimination still exists. It is well established that there is an ethnic penalty in the labour market (TUC 2003a and Strategy Unit 2003).

A further possibility is that existing policy does not respond well to larger families. Pakistani and Bangladeshi families tend to be larger than those in other ethnic groups, with 4.7 and 4.2 people per household respectively, compared to an average of 2.3 for white families. Large families are more likely to suffer from poverty. The DWP's latest *Opportunity for All* report, an annual assessment of progress against a wide range of indicators, highlighted this issue earlier this year. Large families, it pointed out, are more likely to have parents who are out of work (although the situation has improved slightly since 1997) and receive less per child than smaller families (DWP 2003c and Bradshaw and Finch 2002). The 2004 spending review recognised this problem but only indicated a 'long-term aspiration' to improve the financial support available to large families (HMT 2004a).

Persistent poverty

Most poverty figures only look at a snapshot of data, measuring the number of people in poverty at a given point in time. Yet poverty is dynamic, with a large body of people constantly moving in and out. Half the population were in poverty for at least one year between 1991 and 2001 (DWP 2004). For some people poverty is a transitional phase which they only experience for a short period of time and poverty for such people might be of less significance than for those who live in persistent poverty lasting for several years.

Persistent poverty – defined as those living at least three years out of the last four in poverty⁸ – is stubbornly high in Britain compared to the rest of Europe. Between 1998 and 2001, 11 per cent of UK citizens lived in persistent poverty. This compares to an EU average of nine per cent, five per cent in the Netherlands and six per cent in Germany and Norway (Eurostat 2001). It particularly affects lone parents, pensioners, workless households and children. Looking over a longer period of time,

⁸ Persistent poverty figures are on an AHC basis, due to data limitations in the British Household Panel Survey. Defining persistent poverty is problematic, as measures which look over long time periods can miss individuals that experience real and lasting poverty, whereas shorter measures can overstate the extent of such poverty. The 'three out of four years' measure is widely regarded as a good compromise, although it has widely recognised limitations. See Jenkins and Rigg (2001) for more information.

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from 1991 to 2001, 16 per cent of households spent at least five years in poverty. But very few spent longer than this: five per cent spent at least nine years, and only one per cent spent all 11 years in poverty (DWP 2004).

Although these figures suggest that a relatively small proportion experienced very long spells of persistent poverty, a much larger group experienced 'churning' in and out of poverty. Between 1991 and 1999, 25 per cent of individuals experienced recurrent or short-term persistent poverty.⁹

It is not just moving out of poverty that matters. How far people are able to move is equally important. Getting just over the poverty threshold does not make a huge difference to people's lives if they are unable to consolidate their increased prosperity. Data limitations make this a hard issue to examine, but looking at movements between income quintiles (the population divided into five groups) tells us something about the income trajectories of the very poorest. The figures clearly show that those who are poor tend to stay poor. Looking over recent decades people poor in one year were likely to remain poor in ten years time – 46 per cent of those who were in the bottom quintile in 1991 were in the bottom quintile in 2001, and 67 per cent were in the bottom two quintiles in 2001. They are also likely to have been poor for a majority of the ten years: 54 per cent of individuals in the bottom quintile in 1991 spent six or more years in that quintile from 1991 to 2001, and eight per cent spent all their time in this quintile (DWP 2004).

The chances of escaping poverty fall the longer you have been poor and the chances of falling back decline the longer you have stayed out. Over the period 1991 to 1999, 29.6 per cent of those who had been out of poverty for one year fell back into poverty in the next year, compared to 11.3 per cent of those who had been out of poverty for five years. Over the same period, 70.4 per cent remain non-poor for one year, 48.2 per cent for three years, and 35.4 per cent for six years. This raises policy questions about the importance of ensuring job retention and progression for those who succeed in escaping from poverty. We should aspire to tackle a situation where a substantial minority of people are trapped in a cycle of 'no job, poor job', which is known to have 'scarring effects' on individuals' future employment prospects (Meadows 1999).

Summary

It will be an historic achievement if the UK succeeds in abolishing child poverty in the coming decades. It is one of the government's clearest social justice objectives. Progress thus far has been good, but there are many outstanding challenges, from how to make further progress on tackling child poverty, through to what could be done to support unfavoured groups. The data also highlight the continued poor situation of specific groups and the challenge of ensuring people escape poverty over

⁹ Recurrently poor is defined as either observed poor at two interviews of poverty separated by at least one interview of non-poverty, or three to six interviews of poverty out of nine separated by at least two interviews of non-poverty. Short-term persistent poverty is defined as either two consecutive interviews poor, or three to six interviews of poverty separated by at most one interview of non-poverty (Jenkins and Rigg 2001).

the long-term, rather than simply churn in and out of it. The box below outlines some of the key facts from this chapter.

Poverty: key facts

- Overall levels of poverty are lower than at any time during the 1990s, but are still historically high. *By 2002/3, 22 per cent of the population were living in poverty, down from 23 per cent in 1999/2000, 25 per cent in 1996/7 and 24 per cent in 1994/5.*
- In 1998 the UK was bottom of the European league, with the highest child poverty rate in the EU, but by 2001 the UK had risen to 11th out of 15. *Yet compared to the best performing European countries the UK still has a poor record. In 2001 – the last year for which international figures are available – 23 per cent of children in Britain were living in households earning below 60 per cent of median income, compared to just five per cent in Denmark, ten per cent in Sweden and 14 per cent in Germany.*
- Whether pensioner poverty has declined is sensitive to the measure used. If a Before Housing Costs measure is used (as the government want to do with child poverty) then *pensioner poverty has not fallen at all since 1994*. But if an After Housing Cost measure is used, it has fallen from 27 per cent of pensioners to 21 per cent.
- Working-age adults without children constitute an ‘unfavoured group’. *The number of working-age adults without children in poverty has risen from 3.3 million in 1994/5, to 3.8 million in 2002/3.*

Section 2: Prosperity and Inequality

In this section we move beyond poverty and a primary focus on the worst off, and examine the overall distribution of income and wealth. British society has become considerably richer. The UK economy has grown consistently since 1993. This rise in prosperity has had made a real difference to people's lives. In 1983, 24 per cent of people said they were 'living comfortably' on their household's income and 25 per cent found it difficult or very difficult to cope. Now, nearly 40 per cent say they are comfortable, while only 16 per cent find it difficult to manage on their income (National Centre for Social Research 2004). The challenge is to ensure that more citizens can share in the benefits of this growing prosperity. How can we ensure that damaging existing inequalities are reduced and that new ones do not develop?

Does shared prosperity matter?

Not all inequalities are unjust, but many are. In this section we present the evidence on inequality in the UK. It may be helpful briefly to outline a few reasons why we might be concerned not just with poverty, but also with overall inequality.

- People tell social surveys that they care about inequality. Over 80 per cent think that the gap between the richest and the poorest is too large – a figure that has remained consistent since 1989. When asked what salaries are appropriate for different jobs, people dramatically lower the salaries of higher earners and increase those of lower earners (NCSR 2004).
- Inequality can be correlated to many other injustices. The most usual measure of poverty is a relative measure – it is not the absolute position of the worst off that matters but their position relative to other members of society. Thus far, somewhat paradoxically, it appears to have been possible to reduce poverty but not to reduce overall income inequality. But whether this pattern can be repeated in the future is unclear. As long as a measure of relative income remains central to how government defines poverty, the importance of overall income inequality is likely to increase. Likewise there are links to subjective well-being; wide disparities of wealth and income can lead to more people being dissatisfied with the quality of their lives (Di Tella *et al* 2002). Finally, an unfair distribution of prosperity will lead to unequal life chances and lower levels of social mobility.¹⁰

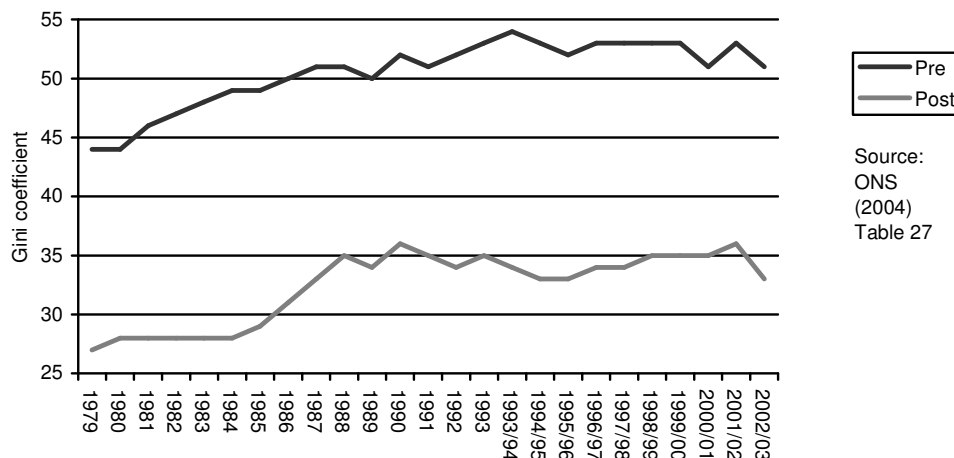
In the remainder of this section we assess income and wealth distribution across the whole population, before looking at regional and area inequalities.

¹⁰ Evidence on this point is uncertain, but international comparisons do suggest a relationship. See Erikson and Goldthorpe (1992).

Turning the tanker: a levelling-off of income inequality but no reduction

Levels of income inequality increased dramatically during the 1980s. But from the early 1990s we have witnessed a clear break in trends with no increase in overall income inequality. Chart 4 demonstrates this well. It shows the Gini coefficient¹¹ for original income distribution and disposable income distribution.

Chart 4: Income inequality pre and post government intervention 1979-2002/3



‘Original income distribution’ is all market income, the majority of which will come from the labour market in the form of wages, but which will also include income gained from assets – for example rent on a property or dividends on shares.¹² (This is potentially significant given the increase in wealth inequality, which is charted later in the section.) Disposable income is income after tax and benefits. The gap between the two lines shows how hard the tax and benefit system is working: a wider gap means that the welfare state is reducing inequality more.

Original income inequality: one break in trends?

From the early 1990s there has been a clear break in trends in inequality of original income. In the decade up to 1992/3, original income inequality increased but since

¹¹ The Gini coefficient is a number between 0 and 100, where 0 means perfect equality and 100 means perfect inequality (ie one person has everything and no-one else has anything). See Goodman *et al* (1997) for further details and a discussion of the merits of alternative measures.

¹² Strictly speaking what we have labelled ‘original income’ should be called ‘pre-tax/benefit income’ as there are certain components of income – for example, maintenance payments to partners and ex-partners – which are not market payments but are not taxes and benefits either.

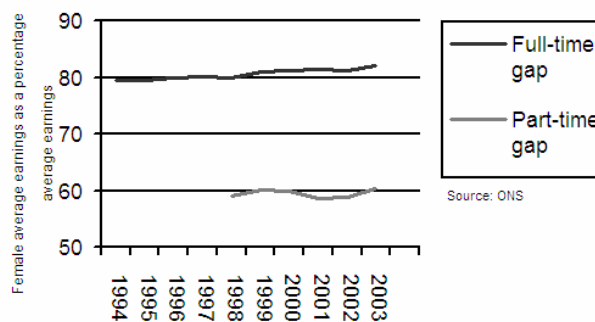
then it has stayed relatively level. If we use ONS data, it was actually lower in 2002/3 than it was in 1992/3. This is not a trend which is only demonstrated by the Gini coefficient – it is also observed using other measures of income inequality. For example, the share of overall disposable income held by different parts of the population has hardly changed since the early 1990s. In 2002/3 the bottom ten per cent of the population received two per cent, in contrast to 29 per cent of overall disposable income received by the top decile. This compares with two per cent and 29 per cent in 1994/5 (DWP 2004).

Researchers do not understand well enough why this break in trends happened, although some theories can be discounted. The notion, for example, that globalisation either explains increased inequality in the 1980s or the break in trends from the early 1990s holds little water. There has been no 1990s slowdown in many of the trends associated with economic globalisation. Furthermore other countries, also subject to the same global trends, did not see income inequality increase (Smeeding 2002).¹³

The gender pay gap

Women’s situation in the workplace is improving and, as the chart below shows, the full-time pay gap in 2003 was at its lowest ever level (the pay gap here is measured as female average earnings as a percentage of male average earnings). But there are two causes of concern. First, the improvement is slow. Women earned 82 per cent of what men earned in 2003, only a small increase from 79.5 per cent in 1994. Secondly, for part-time work (the bottom line on the chart) the gap has not narrowed in recent years and remains far higher than for full-time work. This is significant as, consistent with previous trends, almost half the increase in women’s employment since 1994 has been in part-time work.

Chart 5: The Gender Pay Gap



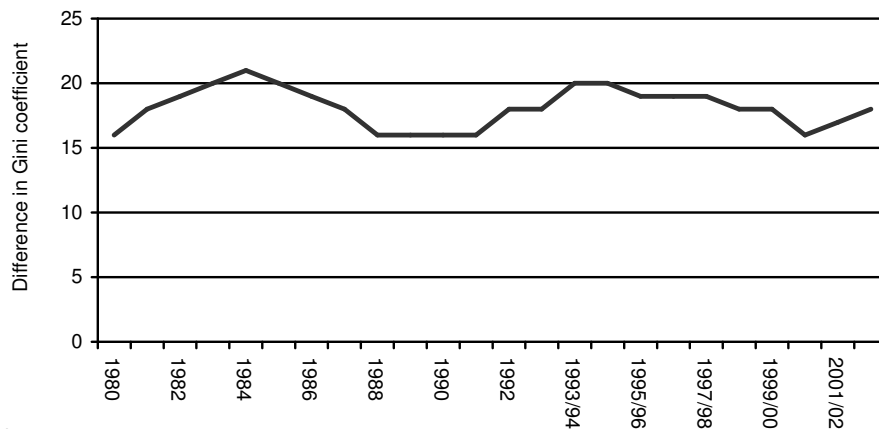
Women also continue to be more likely to live in poverty: 21 per cent of women live in poverty, compared to 19 per cent of men (DWP 2004). Furthermore, despite increased participation in the labour market, women have continued to do much more unpaid labour than men. In 2000/1 women living in a couple and working full time spent nearly four and a half hours on childcare and other activities with their children on a weekday on average, compared to just over three and a half hours for men on the same tasks (ONS 2002a).

¹³ Other possible explanations include a polarisation in the labour market between ‘lousy’ and ‘lovely’ jobs, a matching polarisation between work-rich and work-poor households and ‘skill-biased technological change’ (where labour market returns for higher skills have increased in recent decades). Such debates will be the focus of greater attention in IPPR’s final report.

Disposable income distribution: three breaks in trends?

It is through the tax and benefit system that government can have the most direct impact on eventual income distribution. The gap between the two lines in Chart 4 indicates how hard the tax and benefit system has worked to reduce original income inequality. Chart 6 shows how the size of the gap between the two lines has changed over time.¹⁴ The higher the line, the greater the equalising effect of tax and benefit policy.

Chart 6: The difference tax and benefits made to reducing income inequality



Source: Author's own calculations based on chart 4

The pattern is less clear cut, although there appear to be three breaks in trends:

- In 1984/5 tax and benefit policy turns from having an increasingly equalising effect to having less of an impact.
- In 1988 the effect of tax and benefit policy first levels off and then has an increased impact throughout the first half of the 1990s.
- Most importantly, from around the time the Labour government was elected the impact the welfare state appears to have had on inequality has changed relatively little. In 2002/3 the change in the Gini from original to disposable income was 18 points, compared with 19 points in 1996/7.

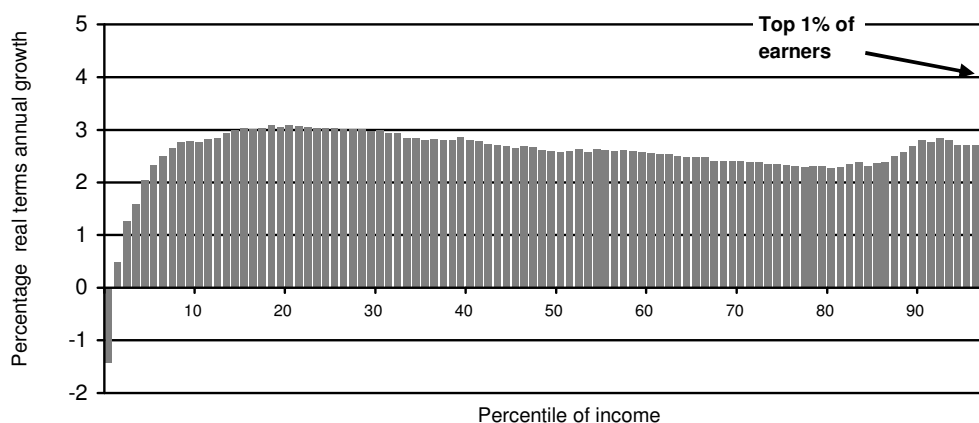
Much of this pattern can be explained by the state of the economy. In a recession the welfare state 'kicks in' and works harder. Hence when the economy recovered from the mid-1980s, with the help of Conservative tax changes, tax and benefit policy had less of an impact on income inequality. But the picture with the robust economic performance since the mid-1990s seems to be different. It is more puzzling because original income inequality has remained relatively steady and in theory the tax and benefit changes should have been progressive: the effect of major fiscal reforms

¹⁴ This chart does not account for corporate taxes or transaction taxes, such as Inheritance Tax and stamp duty. It is unclear what impact these would have, although it is unlikely to be large.

between July 1997 and June 2001 should have increased incomes for the poorest ten per cent by 13 per cent with virtually no increase for the wealthiest ten per cent of the population (IFS 2001). Yet the effect of tax and benefit policies seems to have reduced. There are two possible explanations for this. One is low take-up of means-tested benefits. The econometric models used by experts to estimate the affect of tax and benefit changes often assume 100 per cent take-up of means-tested benefits, which does not happen. The second is that the existence of ‘unfavoured groups’, identified in the previous section, has meant that the welfare state is working less hard overall.

Chart 7 leads to similar conclusions. It shows the real increases in income for each percentile in the income distribution over a similar time period; between 1996/7 and 2001/2. The graph shows a broadly progressive impact. But at both ends of the income spectrum are issues of concern. Individuals with the lowest incomes – those in the bottom ten percentiles – experienced a smaller growth in income than on average. This could be due to measurement error, but it might also be due to the two factors highlighted above: poor take-up and unfavoured groups falling behind.

Chart 7: Mean annual income growth since 1997 for each percentile of the income distribution



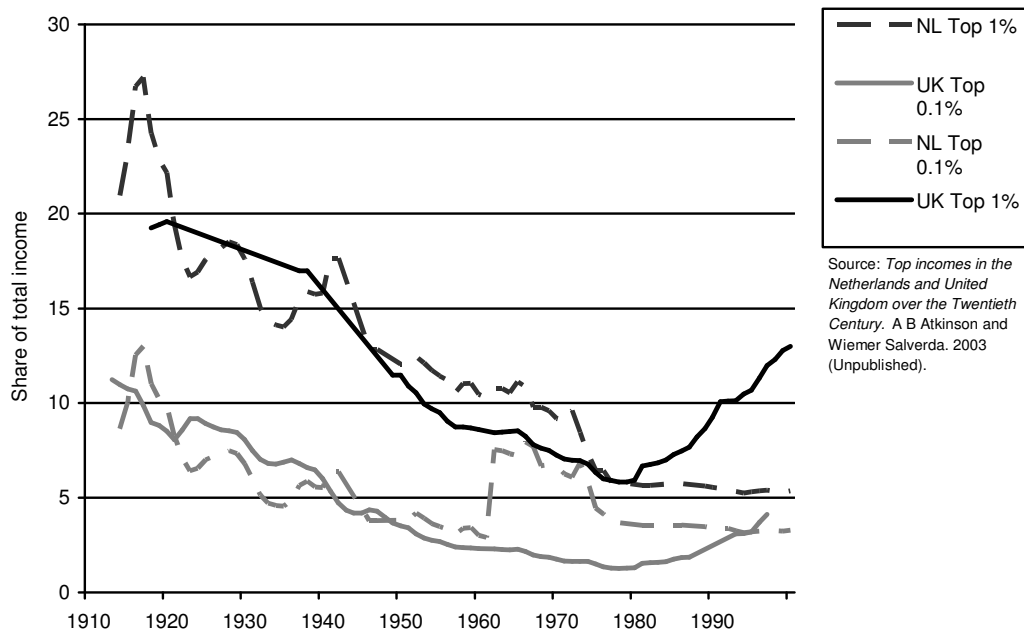
Source: IFS

The 10–89–1 society?

Worryingly, Chart 7 also shows income growth for the very richest. Income growth for the top one per cent, who earned above £107,100 before tax in 2001/2 (Inland Revenue 2004), continued to rise sharply after 1997. Commentators have previously talked of a 30–30–40 society, or a 20–60–20 society (Hutton 1996 and Blair 2003), but it seems we should be thinking about a 10–89–1 society. The very wealthy continue to improve their position: over the past decade the average earnings for British employees as a whole have grown by just over 45 per cent, yet in the same period the average earnings of lead executives of FTSE 100 companies have gone up by 288 per cent, rising more than six times as fast (IDS 2003).

Chart 8 shows a similar picture. After a long period of decline following the Second World War, the proportion of income earned by the very richest in Britain started to rise in the early 1980s, and has continued to rise since, even from the early 1990s when increases in overall income inequality were arrested. The top one per cent of the population has increased its share of overall income from approximately 6.5 per cent in 1980 to approximately 13 per cent in 1999. The top 0.1 per cent has more than doubled its share over a similar period. Between 1980 and 1995 its share has increased from 1.5 per cent to over four per cent. A similar pattern since the Second World War can be seen in the US, but not in other European countries where the share of income earned by the very richest has continued to decrease. The data shown is for the Netherlands, but France is also known to follow a similar pattern.

Chart 8: The proportion of total before tax income earned by the top 1% and 0.1%



This begs the question of whether the position of the very rich – either the top one per cent or the top 0.1 per cent – is an important social justice issue. It might be contended that to lump all people from the 10th to the 99th percentile together is misleading as, despite similar rises in their incomes in the past few years, the previous two decades have seen a huge divergence with each successive decile group gaining more. Instead, it might be the position of the top ten per cent or even 20 or 30 per cent of the population that should concern us. Such a larger group, it could be argued, are more likely to represent those with whom most other people in society compare themselves and are therefore more important if we are concerned primarily with a sense of social cohesion. Although a policy focus on the very wealthy may be a totemic issue, whether it would have any significant benefits is disputable.

We need to know what the policy options are for constraining the gains made at the very top of the income distribution.

Wealth inequality

We should not just be concerned with income. Who owns the nation's wealth also matters. There is a well-established argument that concentrations of wealth may have a corrosive effect on the health of a democracy, but in addition to this recent policy developments have moved questions about wealth up the agenda.

At one end of the life cycle, wealth can be important in providing greater security for people in their old age. Over the last decade individuals have been asked to take more responsibility for their retirement income and needs. At the other end of the life cycle, government is starting to recognise the important impact that asset-holding can have on life chances. The Child Trust Fund (CTF) is one of the most innovative recent policy developments. It will ensure that all children born after September 2002 are endowed, by the state, with an initial nest egg which will grow until the child turns 18 and can access it. The CTF draws on a growing body of evidence that wealth, or assets, can have a positive impact on life chances (Bynner and Paxton 2001). So what do we know about the distribution of wealth?

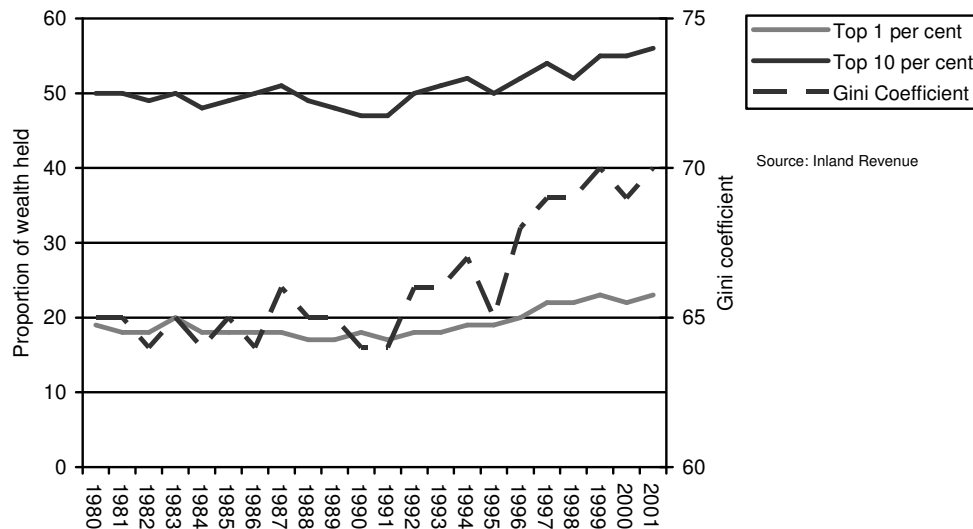
Overall wealth inequality

Across the whole population wealth is far more unequally distributed than income. The Gini coefficient for wealth distribution in 2001 was 70, which compares with 35 for disposable income in the same year. Chart 9 shows how wealth inequality and concentrations of wealth have changed between 1980 and 2001. The wealth held by the most prosperous one and ten per cent is shown on the left-hand axis, and inequality measured by the Gini coefficient is shown on the right-hand axis. The chart shows that in 2001, 22 per cent of personal wealth was held by the top one per cent of the population, an increase from 18 per cent in 1990. Over the same period the increase in the share of wealth held by the top ten per cent of the population has increased from 47 per cent to 56 per cent.¹⁵

Interestingly the break in trends in this chart occurs at approximately the same time as that for original income distribution, but in exactly the reverse direction. Wealth inequality stayed level throughout the 1980s (when income inequality was increasing dramatically) but then it increased rapidly from the early 1990s onwards. It is unclear why this has occurred, although one explanation is that many people who increased their incomes in the 1980s have invested in various forms of wealth – there has simply been a time lag before this has fed through into the wealth data. In one sense, while income inequality has levelled off, we are still feeling the effects of the 1990s polarisation through today's rising wealth inequalities.

¹⁵ Personal wealth includes financial and housing wealth. See http://www.inlandrevenue.gov.uk/stats/personal_wealth/dopw_t04_1.htm for further details.

Chart 9: Wealth held by the very richest individuals and inequality



Clearly this begs the question whether wealth inequalities will continue to increase. Only a brave economist would make such a prediction, but one issue of concern is the housing market, particularly in areas of high demand. Nationally, house prices increased by 15.7 per cent in 2002/3, to an average of £155,627, an increase of more than £90,000 since 1994 (ODPM 2004a). The continuing steep rises in house prices are effectively excluding many people from the housing market: only 63,000 homes were bought by first time buyers in the fourth quarter of 2003, a decrease of 49,000 on a year previously and nearly seven times fewer than in the same period in 1990.

People who do not own a house are also more likely not to have financial assets. Three quarters of those who had no financial wealth in 2000 also did not own a house, and hence had no increase in housing wealth either (IFS 2002). This has remained unchanged since 1995. These trends could worsen existing inequalities, with some who have substantial housing assets receiving windfall gains as the value of their property increases and those who are unable to afford a mortgage faced with increased rents and decreasing chances of ever owning property or accumulating other assets. At the same time, the recent downturn in the stock market, which will not have fed through into the latest data, could have the opposite impact – dampening growth in inequalities.

There is another concern. If increased income inequality in the 1980s fuelled growing wealth inequality in the 1990s, is there a danger that wealth inequality will now contribute to growing income inequality? Market income other than wages and salaries, which is mostly investment income, contributes more to the income of the wealthiest decile than to the remainder of the population. In 2001/2 the top ten per cent of the population received 30 per cent of their income from this source

compared with under 15 per cent for those in the lowest ten per cent of the income distribution (Larkin 2003).

Wealth inequality for particular groups

Although an increase in overall wealth inequality is of concern, we would expect the distribution of wealth to be more unequal than that of income. Over an individual's life cycle people have time to accumulate assets and it makes sense for younger people, who expect higher incomes in the future, to go into debt. Accordingly research by IFS has found the median wealth holding for people under 35, calculated by adding together investments and savings before subtracting levels of debt (excluding mortgages), is zero (IFS 2002).

But significantly inequality of wealth holding *within* age groups remains high and overall levels of inequality are higher than can simply be explained by life cycle effects. The differences among older people tend to be larger, but even younger age groups display significant variation. In 2000 the mean amount of financial wealth held by those under 35 and in the lowest fifth of the income distribution was minus £457. For the same age group, but in the richest quintile, the mean was £6,392 (IFS 2002).

Wealth exclusion – people with no savings or investments at all – also grew in the 1990s. Between 1979 and 1996 the percentage of people, across the income distribution, who did not have any assets rose from five to ten per cent. For those between 20 and 34, the number increased from ten to 20 per cent. More recently the percentage of young and low-income people with no savings has not changed significantly. Between 1996/7 and 2000/1 the proportion of 16-24 year olds with no savings has remained constant at 56 per cent (IPPR 2002).

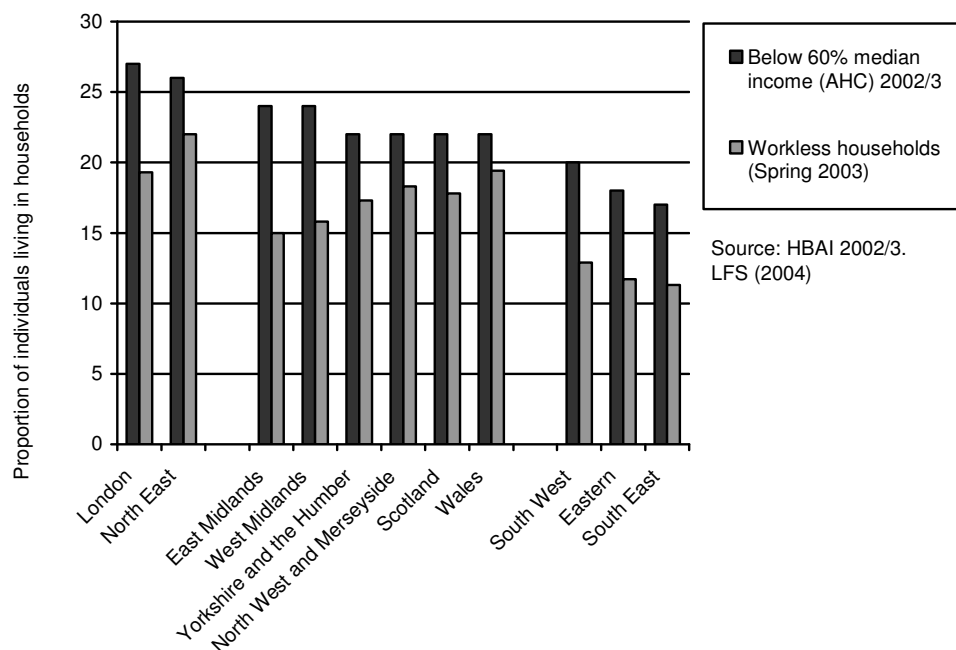
Geographical inequalities

Prosperity is also distributed unequally spatially. It is unacceptable that people's life chances should be restricted simply because they happen to be born in one place rather than another. Yet in this section we outline data on various levels of inequalities between different areas. Initially trends over the past decade in regional inequalities are assessed. We then move on to look at differences at a more local level; what we have called the 'area level'.

Regional inequalities

Chart 10 compares levels of poverty and worklessness by region and shows that some areas experience far higher levels than others. The differences in rates of poverty are particularly striking. In 2002/3, 27 per cent of people in London were in poverty, compared to only 17 per cent in the South East.

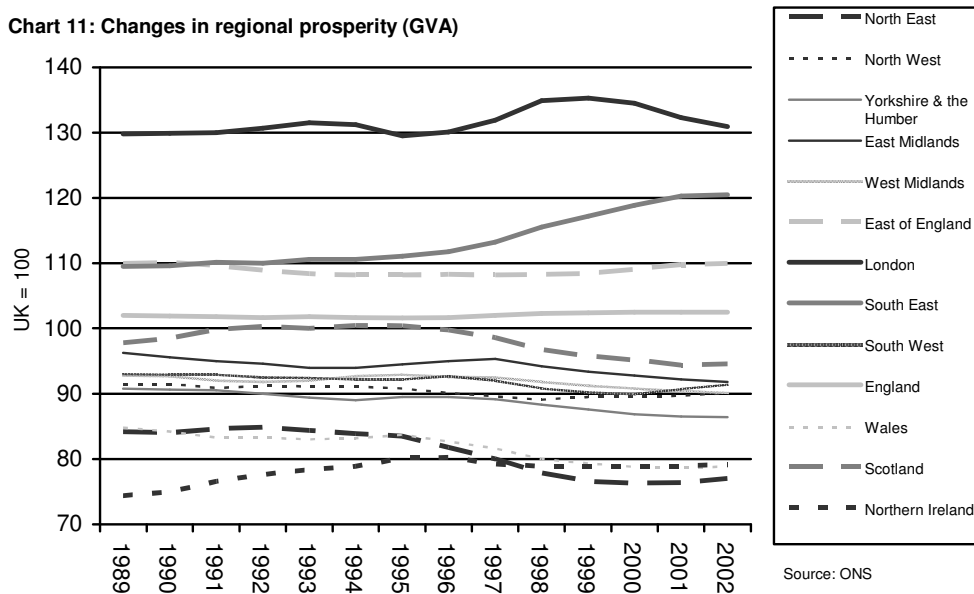
Chart 10: Regional income, worklessness and unemployment inequalities



It is not just poverty that continues to be unequally distributed. Similar trends can be seen for a range of economic indicators. Worklessness was nearly twice as high in the North East as in the South East and unemployment was 3.3 per cent in the East, compared to 6.9 per cent in London. Many of these differences are accounted for by levels of disability, which have a strong regional slant. To give an idea of the scale of the challenge, to bring employment levels in London up to the UK national rate, more than 200,000 people would need to start working; more than double that required in any other region. Given its low starting point, substantial increases would also be required in the North East despite its relatively small size.

Furthermore, regional inequalities seem to have widened over the last two decades. Chart 11 looks at Gross Value Added (GVA), a measure of output used by economists, which shows that between 1990 and 2002 the gap between regions has widened. On the chart the UK mean is 100 for each year, and the gradual movement away from the mean (with London, the East of England and the South East above the line and doing better and other regions below the line and doing worse) indicates widening differences between regions. Between 2000 and 2002 there appears to have been some narrowing of inequalities with a move back towards the UK average in some parts of the country. This could be a temporary effect reflecting the recent modest downturn in the London economy following a shake-out in financial services after falls in the stock market. We should not lose sight of the fact that inequalities remain greater than they were before 1994/5.

Chart 11: Changes in regional prosperity (GVA)



Source: ONS

Area inequalities

Such regional inequalities are noteworthy, and arguably the most significant area inequality we should be concerned about. Looking at regional disparities gives us an indication of the overall condition of the regional economy which is an important driver of employment outcomes at a more local level. But focusing merely on the bigger picture can mask inequalities within regions. Pockets of great deprivation exist alongside relatively affluent neighbourhoods. It is not unusual for areas experiencing persistent poverty and marked social exclusion to be only a few miles from prosperous, thriving communities. For example, in 2002/3 Inner London had the highest proportion of households in the top income quintile but also the second highest proportion in the lowest quintile (DWP 2004).

Analysis of inequalities at a local level tends to focus on the situation of the ten per cent of most deprived electoral wards as identified by the Index of Multiple Deprivation (IMD) in 2000 and 2004 or the Index of Local Deprivation (ILD) in 1991 and 1998. The IMD is constructed from measures of a number of factors: income, employment, health, education and skills, crime and the quality of the local environment. These factors are combined to identify the ten per cent most deprived wards. This measure can be used to look at wards or whole local authority districts and is useful because it can, up to a point, be used to track changes over time. The data have limitations, however, and at best can give only an indication of trends at an area level.¹⁶

¹⁶ The IMD, and its forerunner the ILD, have been subject to regular revisions over the years. The weighting given to the different components of the index have changed. While it is possible to track changes in areas over time, we need to be aware of the limitations. It is also worth noting that the Index of Multiple Deprivation has recently been

Bearing in mind these limitations, the table below looks at local authority districts, rather than wards. It shows the top ten most deprived local authorities in 2004 (out of a total of 354 districts in 2004) as measured by taking an average of the nationwide rank of the scores of the wards within their area and then ranking this average against other local authorities. The table looks back at how the position of the 2004 top ten has changed over the past 13 years. Many of the most deprived areas in the UK in 2004 have been consistently deprived. Of today's top ten seven were there four years ago, six were there six years ago and five were there in 1991.

Table 1: Most deprived local authorities

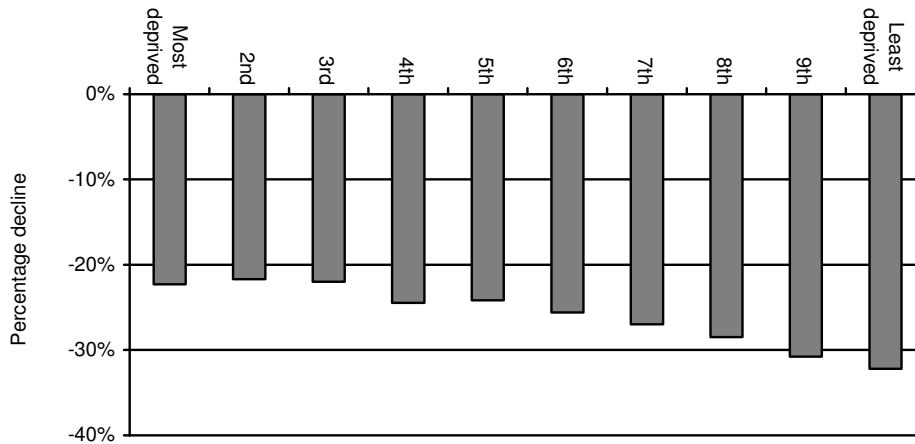
	<i>2004 ranking</i>	<i>2000 ranking</i>	<i>1998 ranking</i>	<i>1991 ranking</i>
Liverpool	1	5	1	1
Manchester	2	7	3	3
Knowsley	3	6	9	5
Tower Hamlets	4	1	6	13
Hackney	5	2	4	4
Islington	6	8	10	9
Nottingham	7	12	16	16
Easington	8	4	50	52
Kingston upon Hull, City of	9	13	26	18
Middlesbrough	10	44	24	11

Note: For further details about the 2004 IMD see http://www.odpm.gov.uk/stellent/groups/odpm_urbanpolicy/documents/downloadable/odpm_urbpol_029247.pdf and <http://www.odpm.gov.uk/odpm/SOA/LASummaries2004.xls>. As noted above changes in the measure mean that comparisons over time need to be treated with caution. Easington's leap from 50 to 4 between 1998 and 2000 is unlikely to be due to real changes, and is more likely to be due to revisions to the measurement.

There is also some evidence that, on important measures, the inequalities between local areas has increased. The most deprived areas have not been catching up with wealthier areas. The chart below shows the percentage reduction in benefit claimants in wards of different levels of deprivation. Between 1995 and 2000 there was a fall in the number of claimants in all areas, but the percentage fall was higher in less deprived areas (Chart 12). In the ten per cent most deprived wards there was a 22 per cent fall in claimants over 1995-2000 period, compared with 32 per cent in the least deprived wards. Although in terms of absolute numbers the reductions have been greater in more deprived areas, they are not catching up with other areas.



Chart 12: Percentage decline between 1995-2000 of benefit claimants in different wards



Source: Evans et al (2002)

Summary

Britain is more prosperous than a decade ago. But the rewards of growth continue to be unequally distributed. Income inequality has stopped its steep rise, but has not been turned around. Wealth inequality is still increasing and regional differences are larger now than a decade ago. At the same time, however, as Section 1 demonstrated, we have seen falling levels of poverty. Should we be content with reduced poverty, but increasing or continued high levels of inequality? If not, what are the policy implications? The box on the next page highlights some key facts from this section.

Prosperity and inequality: key facts

- Before tax income inequality worsened up until 1993, and then levelled off but has not started to decline. *We do not understand enough about why this has happened. What are the implications for policy?*
- Inequality in disposable income (after taxes and benefits) appears to have slightly increased since 1997. *The Gini coefficient has increased from 33 in 1996/7 to 36 in 2001/2. Why have government tax and benefit changes not had the impact we might have expected?*
- The richest have continued to get richer. *The richest one per cent of the population have increased their share of income from 6.7 per cent in 1981 to 13 per cent in 1999.*
- Although the gender pay gap has narrowed only very slow progress has been made since 1994. *In 1994 women in full-time work earned on average 79.5 per cent of what men earned. By 2003 this had only increased to 82 per cent.*
- Wealth distribution is more unequal than income distribution, and has continued to widen in the last decade. *Between 1990 and 2001 the percentage of wealth held by the wealthiest ten per cent of the population has increased from 47 per cent to 54 per cent.*
- Regional inequalities remain large. *In the South East 17 per cent of people are in the poorest 20 per cent of the population, compared with 26 per cent of people in the North East.*

Section 3: Social Mobility and Life Chances

Social mobility is a measure of equality of opportunity that is intimately linked to the previous sections on poverty and inequality. It describes the extent to which people move between social groups during their lifetime, moves which bring advantages and disadvantages in terms of employment, income, education, crime, housing and quality of life. Levels of social mobility are influenced by a number of factors – education, social class, poverty, access to services, attitudes and aspirations, discrimination and the transparency and openness of societal institutions – not all of which are easy or desirable for government to influence.

In this section we begin by asking why we should be concerned with social mobility. We then assess the evidence on trends in social mobility over recent decades followed by some facts and figures on access to, and performance in, the education system. Education has usually been thought of as the most important driver of social mobility and there is no doubt that it remains crucial. But some recent debate has questioned whether its centrality has started to diminish and asked whether ‘softer skills’ are now of greater importance in determining life chances. Finally we examine this in more detail.

Why do social mobility and life chances matter?

The centre-left should not necessarily want to fashion a purely meritocratic society: equality of opportunity may trade off against other objectives such as social cohesion and solidarity. But progressives should undoubtedly be committed to greater equality of opportunity and social mobility than currently exists.¹⁷ Social justice demands a society in which the social class, ethnicity or talents of your parents makes less difference to the kind of life you are able to lead or the opportunities open to you, than is currently the case. People should be able to make greatest use of their talents and ability, not least because this implies a higher standard of living for everyone through greater economic efficiency.

This is most obviously the case for children. Politicians, of both the left and right, claim to believe in greater equality of opportunity and there is a particularly widespread support for the notion that all children should start life with equal life chances. While inequality of opportunity later in the life cycle can be justified on the basis of differences in the choices individuals have made and the amount of hard work people have put in, few would agree this should be the case for new born children. Yet rarely is the radicalism of this commitment spelled out and carried through into practical policies.

¹⁷ Some recent debate has focused on ‘life chances’. This term has yet to be fleshed out, although social mobility tends to be seen as one element of a wider ‘life0chances framework’, one that also includes poverty and social exclusion. This could provide useful policy insights but in this section we focus on social mobility in its different forms, and not a broader conception of life chances.

So how well is the UK fairing in securing greater equality of opportunity for children? This section assesses the most recent evidence on social mobility. We focus primarily on *relative* and *intergenerational* social mobility – the chances that people born into different social groups have of making it into other social groups, within and between generations. How much greater is the chance that those with middle class parents will make it into the middle class when they are older?

In his 2002 conference speech the Prime Minister argued that ‘we owe it to every child to unleash their potential. They are of equal worth. They deserve an equal chance... There is no more powerful symbol of our politics than the experience of being on a maternity ward. Seeing two babies side by side. Delivered by the same doctors and midwives. Yet two totally different lives ahead of them.’

What are the respective chances of these babies today? We will have to wait to see what impact the changes Labour has made in the last seven years will have on the life chances of today’s children. But there are two areas where we can look for evidence to underpin policy choices. First, we can assess the most up-to-date data on social mobility in recent decades; and, second, we can examine the shorter-term impact of policy changes on drivers of social mobility – particularly educational attainment.

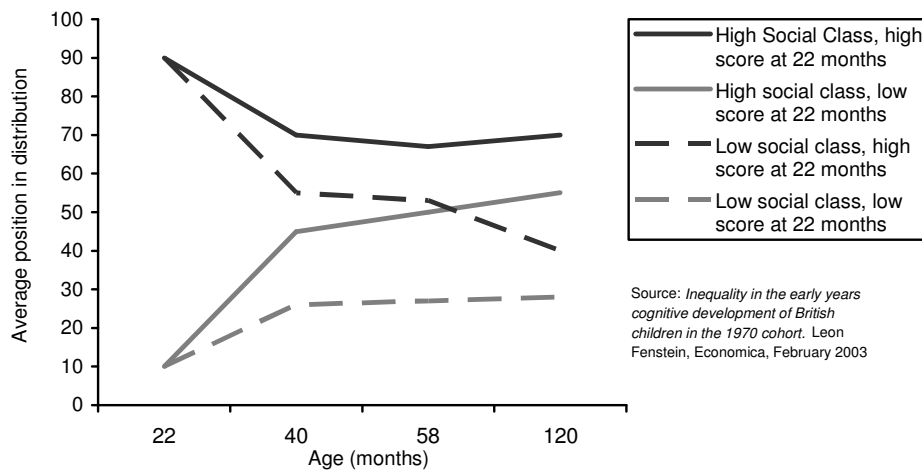
Is Britain ‘seizing up’?

Trends in intergenerational social mobility are complicated, and research evidence is often contradictory. Measures of class mobility – whether children are in a different social class to their parents – suggest that social mobility increased very gradually between 1972 and 1992, before declining slightly in the period up to 1997 (Payne and Roberts 2002). However, measures of income paint a more depressing picture. Research that compares two different cohorts – groups of people all born at around the same time in 1958 and in 1970 – suggests that parental background makes more of a difference than it has done in the past. The first group of people who grew up in the 1960s and 1970s experienced higher relative social mobility than those who were brought up in the 1970s and 1980s. Sons born to fathers from the richest fifth of the population in 1958 on average earned 13 per cent more than those from the bottom fifth of the population. In comparison, sons born to wealthy fathers in 1970 earned 37 per cent more than their poorer contemporaries (Blanden *forthcoming*).

A third approach supports the view that Britain is ‘seizing up’ and that today’s middle classes are consolidating their position. People increasingly marry others of the same social class. We are increasingly involved in what experts call ‘assortative mating’. The same research also suggests that, across the population, up to half of earnings can be attributed to people’s background, and that the richer the parents the bigger the influence of background on children’s incomes (Ermisch and Francesconi 2002). One important factor that we know more about, in relation to the 1970 cohort, is the early years of a child’s life. Chart 13 shows that babies in this cohort with similar test scores at the age of 22 months develop cognitive skills at different rates depending on their social class. Only six months after birth class differences in childhood

cognitive development can be clearly seen and by the age of six the child with a low-cognitive ability from the rich family has already overtaken the poor but clever child.

Chart 13: Average rank in test scores by social class of parents and early position in tests



There are links here to children’s health in their early years. The most recent data shows that the infant mortality rate in low income areas is around 70 per cent higher than in the most affluent areas. Between 1998 and 2000 the rates amongst those in the lowest social class were double those in the highest (professional) social class – eight deaths per 1,000 births for the former and four for the latter. Birth weights continue to be linked to parental social class and accidental death amongst children is five times higher for children from the lowest social class than for those from a professional family (HMT 2002).

This all paints a bleak picture. But declining social mobility is not inevitable. The UK’s experience has not been shared by our international partners. Intragenerational mobility appears to have continued to rise in recent decades in France, Sweden and the Netherlands, largely, it is argued, due to a breakdown of the influence of social class on educational achievement in these countries (Solon 1999). We also need to remember that contemporary and future policy changes intended to promote greater social mobility will have their most significant impact in a few decades’ time. Hence the importance of identifying the drivers of social mobility and assessing government success in positively influencing these.

‘Education, Education, Education’

Sociologists have argued for many years that education has a profound impact on intergenerational social mobility. Political scientists have charted the links between educational attainment and later life chances, and have found correlations with

higher levels of income and improved labour market performance (see for example Machin & Gregg 2003). Although formal educational achievement is not the only determinant of children's life chances, most still consider it to be an important one. We return to this issue below.

The UK has a mixed record on improving educational attainment. The aggregate figures are good: recent decades have seen sharp rises in educational achievement at all ages and increases in participation post 16. Yet the UK's longstanding legacy of polarised educational achievement continues, with outstanding performance at one end of the spectrum and consistent underachievement at the bottom. Below we examine different stages in the education system and assess the impact of recent policy developments.

Primary education

Chart 13 highlighted one explanation of the greater focus on the early years in recent policy debates. Yet focusing on early years is not enough. Improvements for children at all ages are needed if the decline in social mobility observed in the 1980s and 1990s are to be reversed in future decades. Primary school results are improving – in 2003, 86 per cent of 11 year olds achieved level 4 or above in the Key Stage 2 science test, nine percentage points higher than in 1999, and 73 per cent achieved level 4 or above in the maths test, four percentage points higher than in 1999. But significant inequalities remain.

Schools with a more deprived intake of pupils (as measured in terms of the proportion eligible for free school meals) have made less progress than schools with a less deprived intake. Between 1999 and 2002 pupils in schools where a lower proportion of the intake is eligible for free school meals made more progress at both Key Stage 2 (age 7 to 11) and Key Stage 3 (age 11 to 14) than those in schools where more were eligible for free school meals. This was the case for all three core subjects: maths, English and science (DfES 2003). This

Genetics and life chances

Genetic inheritance does play some part in social mobility. Those who are naturally talented are more likely to succeed.

But we are becoming increasingly aware that there is a complex interplay between a person's genes and the environment they grow up in. Genes can affect how susceptible people are to environmental influences in childhood, and how these influences affect them. Some individuals are more likely than others to develop antisocial patterns of behaviour if they are exposed to deprivation or violence as children (Caspi *et al* 2002).

Research in this area may have profound implications for public policy. It may be possible to predict which individuals are more likely to suffer from environmental deprivation and target services towards helping them early in their lives or focus resources more efficiently to combat the most important factors for a given individual, such as exposure to violence, poverty or poor diet.

difference is made all the more important because the UK education system continues to experience high levels of geographical segregation. At any time since 1989 around a third of children living in poverty would have to move to schools in wealthier areas for there to be an even spread of poor children between schools (Gorard *et al* 2003).

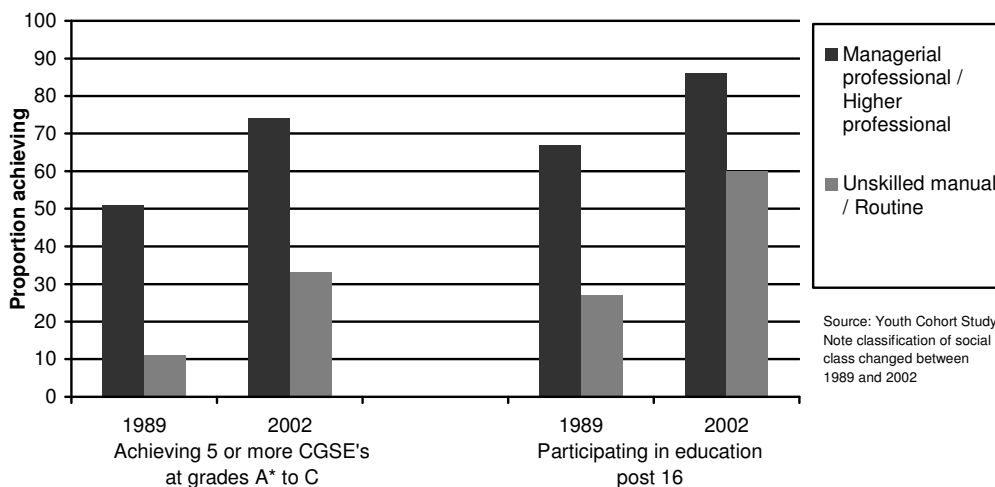
Secondary education

Educational attainment at secondary schools is largely determined by a child’s earlier development. But this does not mean that we should think secondary schools could not ‘turn around’ some children from lower income backgrounds. At the very least we should not want to see class or income gaps in educational attainment widen as children get older.

Again, looking at the aggregate data, there are signs that in recent years progress has been made: the numbers of pupils leaving school with no qualifications is falling.

But the class gap remains, and on some measures it has not even narrowed at all. Chart 14 shows how overall educational achievements have improved, but it also highlights the continuing class gap. Seventy four per cent of children from the highest social classes achieved five or more GCSEs at grades A* to C in 2002, more than twice the proportion of children in the lowest social classes, and 86 per cent were participating in education post 16, 26 per cent more than the lowest social classes.

Chart 14: Educational achievement: 5 or more GCSEs at grades A* to C and post-16 participation



The level of GCSE attainment at grades A* to C is considered important by the government because it can form a barrier to progressing to further education or entering certain areas in the job market. However, it is questionable whether it should

be the sole focus. Achievement of five or more grades A* to G captures a far broader range of the school population and there is evidence that those who get five or more GCSEs at whatever grade are more likely to stay on after 16 than those who obtain only a clutch of qualifications. Figures for this level of achievement are not broken down by class or income, but aggregate figures tell a worrying story. In 1994/5 85.7 per cent of pupils achieved this. By 2002/3 this had only crept up to 88.6 per cent, a far less impressive increase than is the case with A* to C grades (DfES 2004). A repeated concern is that schools have focused on pupils who are close to achieving grade C at the expense of those of whom there are lower expectations.

Inequalities in achievement are not only found when looking at class and income. Other factors, including ethnicity also matter. Many ethnic minorities still do less well at school than white pupils – particularly black, Bangladeshi and Pakistani pupils – and whilst the overall picture is complex, some trends can be drawn out. Of particular concern is that the disparity in achievement between ethnic groups increases significantly over the course of schooling. There is more inequality in attainment between ethnic groups after the completion of compulsory education than there is at entry to school (Bhattacharyya *et al* 2003). Yet there are some encouraging signs. Indian and Chinese pupils are more likely to achieve the expected level compared with other ethnic groups at all Key Stages, and black and Asian young people are more likely to stay on in full-time education at age 16 than white young people. Eight two per cent of black and 85 per cent of Asian young people stay on in full-time education at age 16, compared to 69 per cent of white young people (Bhattacharyya *et al* 2003).

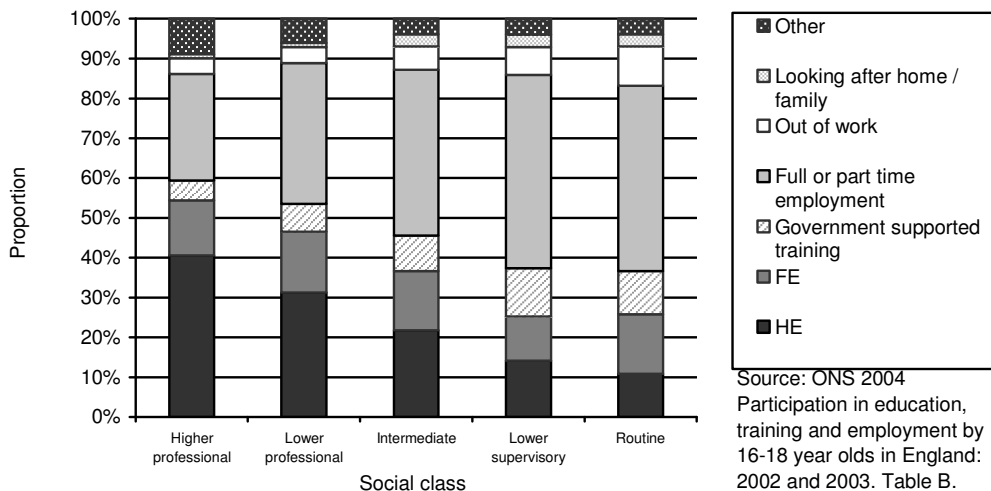
Higher and further education

There has been a dramatic expansion in the numbers entering higher education in the last 15 years. The government is committed to ensuring that half of all people under 30 participate in higher education by 2010, but the expansion thus far has disproportionately benefited those from more privileged backgrounds. Although participation rates for those from the manual social classes (classes C2, D and E) rose from 11 per cent in 1991/2 to 19 per cent in 2001/2, participation is still well below that of non-manual social classes, which rose from 35 per cent to 50 per cent over the same period (ONS 2004b).

Examining the period since the early 1980s as a whole confirms that a class bias in entry and success within higher education remains and has even grown. Parental income may be making an increased difference to access and success in higher education. In 1981, 23 per cent of 23 year olds from high income backgrounds obtained a degree, compared to six per cent for those from the lowest income group – a gap of 17 per cent. By 1999, this gap had risen to 37 per cent, according to figures from the British Household Panel Survey (Machin and Gregg 2003). In short, while the chances of people from low income backgrounds accessing university have increased, the relative prospects vis-à-vis those from wealthier backgrounds have not.

It is not just access to higher education that should be of concern. Chart 15 shows what 18 year olds were doing in 2002 by social class – whether they were in higher education, further education, working or doing something else. A clear pattern remains with those from higher social classes more likely to be in higher education and less likely to be in either full or part-time employment. Those from a routine or lower supervisory background are also more likely not to be in employment, education or training (the so-called NEET category).

Chart 15: Participation in education, training and employment (18 year olds in England and Wales: 2002, by social class)



Beyond education?

Some recent debate has questioned whether or not education has the same significance in shaping social mobility now as it did in the past. Sociologists such as John Goldthorpe (2003) have argued that educational achievement is playing less of a role in determining life chances as ‘softer’ skills (such as the ability to communicate effectively), physical and psychological characteristics or even dress sense become more important. The explanation for this, it is suggested, is to be found with the behaviour of employers, who no longer use educational attainment as a way of selecting employees. They do not find it a good proxy for other qualities such as high motivation, perseverance or the ability to learn quickly.

Two possible explanations for this are suggested. One is that the nature of jobs being created is changing, with more *demand* for service sector employment. The other is that there has been an increase in the *supply* of more highly-educated people, meaning that employees have been forced to use other criteria to decide between candidates.

Without further strong evidence this argument should not be overstated. Some recent research, comparing the 1958 cohort with that born in 1970 suggests that the problem identified could be at least partially correct, but it is still unclear why it is happening (Machin and Vignoles 2004). The research found that people's cognitive ability, as opposed to educational attainment, became marginally more important in the labour market. But the change was marginal. Indeed Machin and Vignole's work confirms other research which shows that wage premiums attached to qualifications have altered little over the past decade, which does not seem to support Goldthorpe's argument.

One possibility, worthy of further exploration, is that for different groups education is more or less important – it may be true that education has become less important for those in the higher social classes, but it may still be likely to determine the chances of the upward mobility of children from lower social class backgrounds.

Summary

Social mobility in Britain has declined. Creating greater equality of opportunity is a huge task, but a crucial one for social justice. Low levels of social mobility reveal a stratified, closed society, in which those who are disadvantaged remain so. It also appears from international comparisons that, contrary to generally-held beliefs, societies which are more equal have greater social mobility. The box below outlines some of the key facts from this chapter.



Social mobility and life chances: key facts

- Social mobility appears to have declined. *Sons born to fathers from the richest fifth of the population in 1958 earned, on average, 13 per cent more than those from the bottom fifth of the population. In comparison, sons born to wealthy fathers in 1970 earned 37 per cent more than their poorer contemporaries.*
- Yet social mobility has increased in recent decades in other countries. *France, Sweden and the Netherlands have all seen improvements.*
- Between 1989 and 2002 there has been an aggregate improvement in educational attainment, but a class gap remains. *74 per cent of children from the highest social classes achieved five or more GCSEs at grades A* to C in 2002, more than twice the proportion of children in the lowest social classes.*
- Entry to higher education has increased from 19 per cent in 1990 to 31 per cent in 2000 but it has benefited the well off more than the poor. *In 2002 while just over 40 per cent of teenagers from higher professional backgrounds were in higher education, the figure for those from the lowest social class was 11 per cent.*

Section 4: Equal Citizenship

The centre left has always been concerned with deepening democracy and promoting active citizenship, but has rarely thought about these issues in terms of distributive justice. There are, however, two good reasons to think of inequities in levels of civic and political participation as a social justice issue.

- *Participation as an outcome*
A well-established tradition, running from the ancient Greeks through to Machiavelli and republican thinkers like Thomas Jefferson and Tom Paine, views civic and democratic participation as part of what it means to live a fulfilled and good life. To be full citizens, people need to engage in influencing decisions in their communities and country.
- *Participation as a route to social justice*
There is a growing understanding of the importance of various forms of civic and political participation to achieving wider social objectives, and indeed the goals of social justice. Social capital theory gives this argument empirical depth. A strong civil society, or local community, has been linked to faster economic growth, more efficient labour markets, improved health and improved support networks for the elderly and otherwise disadvantaged (Strategy Unit 2002). Furthermore, wider *political* participation also seems to be important in influencing outcomes (Pattie, Seyd and Whiteley 2002).

Below we adopt a broad definition of citizenship, divided into two forms of participation: political and civic. Political engagement is concerned with direct actions intended to influence governance and decision-making, which is increasingly more than simply putting a cross on a ballot paper. Civic participation looks more broadly at engagement in civil society.

Political engagement: a growing divide?

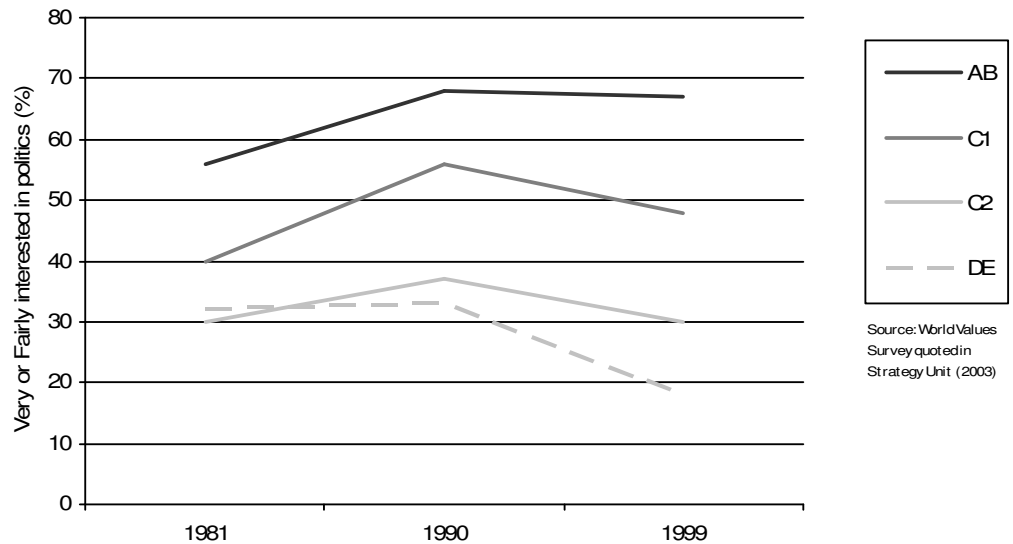
There is a well-charted fall in formal, or traditional, forms of political participation. Election turnouts have declined in the UK, as they have in other developed world countries. Nationally, turnout has been in relatively gentle decline since 1950, and a precipitous one since 1992. Just 59 per cent of people voted in the last general election, the second lowest rate in the EU and well behind Germany at 89 per cent, Italy at 86 per cent and Spain at 74 per cent. Locally, the same trend has taken hold, with a decline of 37 per cent since 1987.

Only 30 per cent of people were 'satisfied' with British democracy in 2001 and 56 per cent thought they had no say in what government does (Seyd and Whiteley 2002). The decline has been rapid: in 1995, 46 per cent said they were satisfied with the way democracy works (Klingermann 1999). This statistic alone should be of serious concern to progressives, as it reflects increasing disillusionment with formal

democratic structures. But how that decline has been distributed across the population reveals an even more worrying picture.

Interest in politics has fallen slightly across all social classes in recent decades, but for the lowest social classes it has decreased significantly – almost halving between 1981 and 1999. Chart 16 shows how an existing class divide widened between 1991 and 1999. Research based on the same longitudinal data sets referred to in Section 4 supports this finding. The percentage of men born in 1958 reporting ‘no interest in politics’ at the age of 33 (in 1981) was lower across all social classes than the percentage of those born in 1970 when they were 30 (when questioned in 2000). A similar pattern is observed for women. This research also found a slight, although not significant, increase in the class divide (Bynner and Parsons 2003).

Chart 16: Political interest by social class

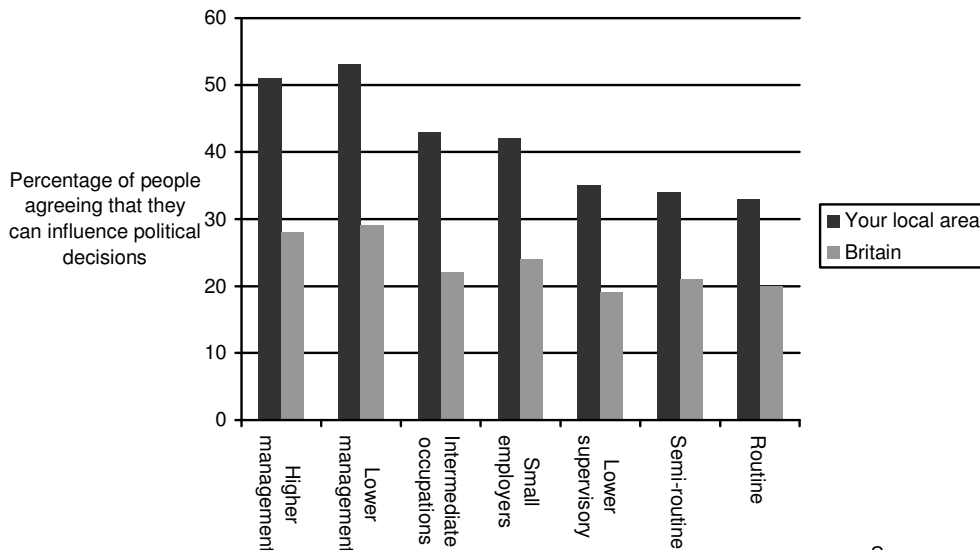


This divide in levels of interest in politics also seems to be reflected in voting behaviour. At the last general election in 2001, 68 per cent of the top two social classes are thought to have voted but just 53 per cent of the bottom social class voted (Mori 2001). Asked last year about whether they would vote in an upcoming election, those in the top social class were nearly one and a half times more likely to say they would as the lowest social class, and were more likely to be aware of political issues. They were also more than twice as likely to have discussed politics in the last two years (Electoral Commission 2004).

Ethnic minorities are also less involved in political life. The Electoral Commission was told by 70 per cent that they had no interest in politics. Furthermore ethnic minorities were less likely to believe that they could change the way the UK is governed by getting involved in politics than the rest of the population (Electoral Commission 2004).

This last point is important. People’s sense that they can influence decisions if they want to is lowest amongst the most deprived. As Chart 17 shows, this is true at both local and national levels, although particularly so at the local level. Recent evidence also suggests that people in the lowest two social classes are three times less likely to contact their MP and half as likely to contact their councillor as those in the classes A, B and C2. One reason for this could be that few people think that ‘getting involved works’ – only 36 per cent in 2003. At the same time, there is demand for political influence. Nearly 75 per cent of those surveyed want a say in how the country is run (Electoral Commission 2004).

Chart 17: Sense of political efficacy at a local and national level



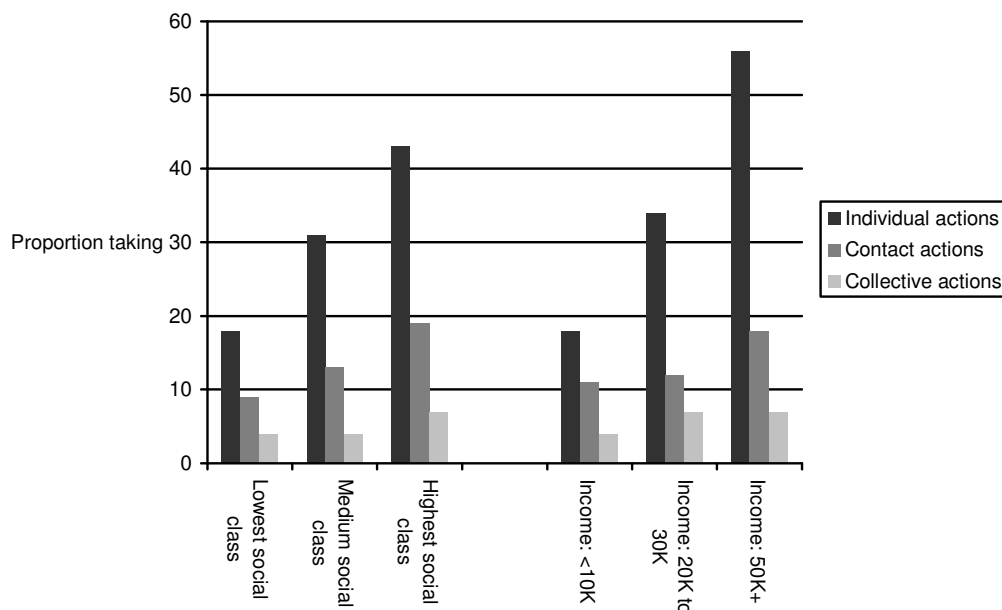
Source:

Various explanations of the overall decline in participation have been offered. What is certain is that trust in political institutions is at an historic low. Only 24 per cent of the whole population believes that ‘the government treats people like me fairly’, according to research published in 2003, compared to 83 per cent in 1963 (Seyd and Whiteley 2002). The public is jaded by political rhetoric, lack of clear accountability and media scepticism. Last year, a mere 27 per cent of people claimed to trust politicians, only 36 per cent were satisfied with parliament, and just 36 per cent thought the present system of government worked (Electoral Commission 2004). While levels of trust in politicians were not lower among those from lower social groups, when people were asked about parliament there was a correlation (Home Office 2003a).

It is not just formal participation in democracy that should be of concern. Across a range of different activities which could still be defined as ‘political’, there is a correlation with class and income. Chart 18 shows engagement in ‘collective’, ‘individual’ and ‘contact’ forms of engagement. Collective activities include taking part in a strike or attending a political rally; individual activities include signing a petition or

shopping ethically; and contact activities include making contact with your MP, councillor or the media.¹⁸ It shows that those in the lowest social class, the poorest in society and the less educated were less likely to be politically active than those who are in a higher social class, better off or better educated in 2000, the last year for which data is available.

Chart 18: Engagement in political activity by income



Source: Citizens Audit, 2000

Importantly, the nature of political engagement appears to have fundamentally changed in the last 20 years. Although the picture is complex, with some people pointing to increased levels of ‘protest’ and direct action, such as that against fuel price increases or war in Iraq, the most noticeable shift has been away from collective forms of action. People increasingly express their political preferences through personal, market-related activity, such as contacting the media rather than politicians and boycotting products rather than signing petitions. Britain expresses its political convictions via the cheque book, not through direct participation. People are paying for others to become engaged on their behalf.

This is supported by figures for trades union membership. The percentage of employees who were union members fell from around 40 per cent in 1994 to 31 per cent in 2001. This is a continuation, or even a slight acceleration, of a trend which can be traced back to the early 1980s. Research also indicates that the majority of

¹⁸ For a full explanation see Whitely and Seyd (2002) <http://www.shef.ac.uk/politics/citizensaudit/apsa2002.doc>

the decline in union membership can be accounted for by an increase in the numbers of employees who have never been members (Bryson and Gomez 2003).

A danger is that political power will be increasingly related to income and the power to pay for change, further shifting the balance away from the poor, disadvantaged and excluded. It is noteworthy that the class and income differentials in collective forms of political engagement are less severe. If 'individualised' political action continues to increase as it has done over the last two decades, and if turnout falls further still, there is a risk that the voices of the less well educated and the less well connected will become even less audible.

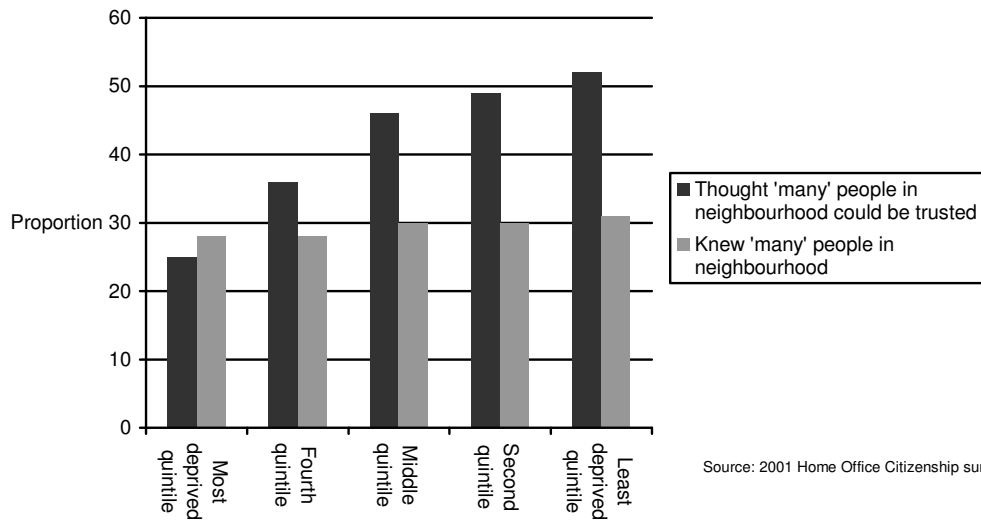
Civic participation

The story with 'civic' engagement is not the same as for political forms of citizenship. There does not appear, in the UK, to have been an overall decline in many measures of the health of civil society. British people appear to retain a strong sense of civic obligation. They pay taxes, obey the law and feel strongly about defrauding the state. Three-quarters are willing to serve on a jury, give blood, feel they have a duty to vote in local elections, and participate in a neighbourhood watch scheme (Seyd and Whiteley 2002). Furthermore, whilst overall levels of civic participation are thought to be declining in other countries, such as the United States, the picture is less clear cut in Britain.¹⁹ Social trust has declined, against the European trend, but other indicators, such as volunteering, have remained at high levels.

But, as with political participation, there are signs of a growing class divide in wider civic affairs. Chart 19 shows that people in deprived areas know almost as many of their neighbours as people in wealthy areas but have significantly lower levels of trust in them.

¹⁹ There is some evidence of an increase after 9/11, although whether this will be lasting is unclear.

Chart 19: Trust and deprivation



As well as the differences in the levels of trust (and perhaps because of it), people on lower incomes are also less involved in informal networks. Research in 2001 showed that those in the highest social class were more than one and a half times as likely to be involved in groups which have regular contact for a shared purpose, such as a reading circle, sports team or childcare pool, as those from the lowest social class (Home Office 2003a). These networks tend to overlap and form an extended chain of connections between individuals. Being involved in a network improves members' chances of hearing about opportunities being recommended for employment, and provides opportunities to take collective action.

Summary

Is the UK witnessing a widening 'citizenship gap' between rich and poor? The fact that on some specific measures of *political* engagement, such as voting, all groups have experienced a decline is of concern. But this section has identified two further worries: first, that there is a growing class divide in levels of interest in politics; and second, that the forms of political engagement which are increasing (those that are more individualised) display a stronger pro-middle-class bias. The danger is that this class divide will widen in the future. We have also seen that measure of civic participation shows a class divide. As we learn more about the importance of social capital in influencing other outcomes, this too should be of growing importance.

Equal citizenship: key facts

- Voting levels are at their lowest ever. *General election turnout has fallen by 16 per cent since 1979 and 24 per cent since 1950 to just 59 per cent in the last general election.*
- Interest in politics has fallen slightly across all social classes, but there is a growing class divide. *Between 1991 and 1999 for social classes D and E interest in politics halved.*
- People's sense of empowerment, the feeling that they could influence decisions if they wanted to, is lower amongst the more deprived. *51 per cent of the top social class felt they could influence decisions at a local level in 2003, compared to just 33 per cent of the bottom social class.*
- The nature of participation is changing. *It appears that collective actions are less and less likely, which may lead to a growing future divide and more unequal citizenship.*
- Levels of social trust are much lower in deprived areas. *25 per cent of those living in the most deprived areas thought most people could be trusted in 2003, compared to 52 per cent of those in the least deprived areas.*

Section 5: Quality of Life

There has been a tendency in the past for debates on social justice to focus predominantly on income and wealth. Policy-makers have effectively used these factors as a proxy for measuring people's well-being. The financial resources that people have are obviously vital, but they are not the only important factors. In the last decade far greater attention has been paid to considering policies in the light of their impact on 'happiness'. There might be good reasons to be suspect of a purely utilitarian approach to developing policy – seeking the 'greatest happiness of the greatest number' may not be commensurate with other policy objectives such as freedom or opportunity – but a broader understanding of what effects well-being does provide some useful policy insights.

What are the elements of this 'good life'? In recent years how has the quality of life of different groups changed? Initially in this section we examine data on overall levels of life satisfaction – self-reported well-being. This could be influenced by a wide range of factors including employment and unemployment, income, people's relationships and the levels of freedom or autonomy people feel they have (Strategy Unit 2002a). As such there are potentially important links to all the other sections in this paper. We focus here on three issues we have not examined thus far: strong local communities and neighbourhoods, including maximum freedom from the effects of crime and anti-social behaviour; people's health, and a good quality environment.

Overall life satisfaction

On aggregate measures the UK population is no more or less satisfied with life than it was ten years ago, despite the fact that real living standards have increased (Eurobarometer 2001). This is a familiar picture which has been observed across developed countries: increases in GDP, or income, do increase life satisfaction, but only up to a point. So whereas developing countries will get a happiness boost from increased GDP growth, the UK, in common with other developed countries, seems to have passed a threshold.

But what about the distribution of well-being within countries? There is some evidence on international comparisons and some on changes over time within the UK. It should be noted that some of this data needs to be treated with caution and the accuracy of measures of subjective well-being has been questioned; for example small differences in the wording of questions may change their meaning (a particular problem when looking at international comparisons).

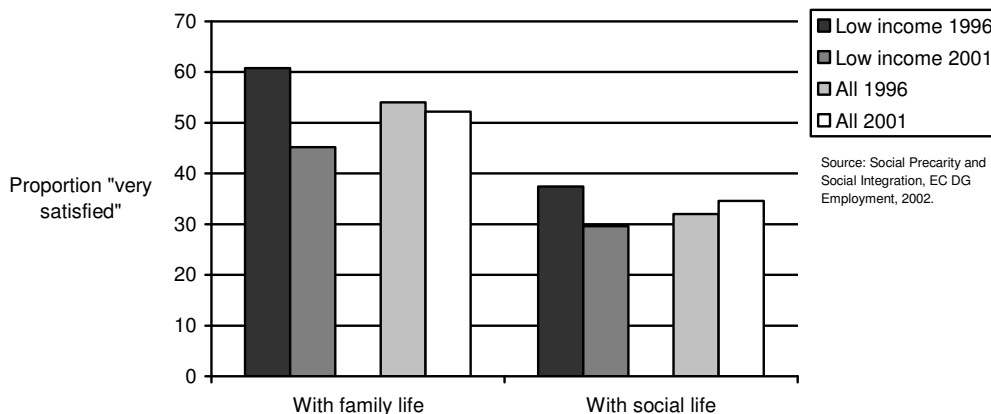
International data

International data on the distribution of well-being paints a similar picture: people with higher incomes are more satisfied than those with lower incomes, but there is no simple linear relationship. The link between satisfaction and income tails off at high-income levels.²⁰ Findings from the World Values Survey conducted between 1990 and 2000, which assessed life satisfaction in more than 65 countries, illustrate this. Income and happiness tend to track each other well until annual individual incomes reach approximately £7,000 (in 1995 purchasing power parity). After this point, additional income may have some short-term impact on self-reported happiness, but as people adapt to their new circumstances the longer-term gains are modest.

Changes in the UK

Within the UK, some evidence suggests that, since 1996, while satisfaction levels have remained relatively constant for the population as a whole, the poor have become less satisfied. Chart 20 indicates that low-income people’s satisfaction with their family and social life has declined, but that this decline has been from a higher starting point. It is not clear why there was a higher starting point or what could be driving decreases in life satisfaction among those with lower incomes. One possible explanation put forward is that life satisfaction is related to higher levels of inequality. Some international evidence suggests that higher inequality is associated with low levels of life satisfaction (SU 2002 and Eurobarometer 2002).²¹ This would be consistent with the \$13,000 threshold figure, which indicates that increasing the incomes of the worst off will have a more significant impact on overall well-being than increases in income for the better off. But, as we saw in Section 2, income inequality did not significantly increase between 1996 and 2001.

Chart 20: Life satisfaction: changes between 1996 and 2001



²⁰ See World Values Survey (2000) for further details, available at <http://www.worldvaluessurvey.org>

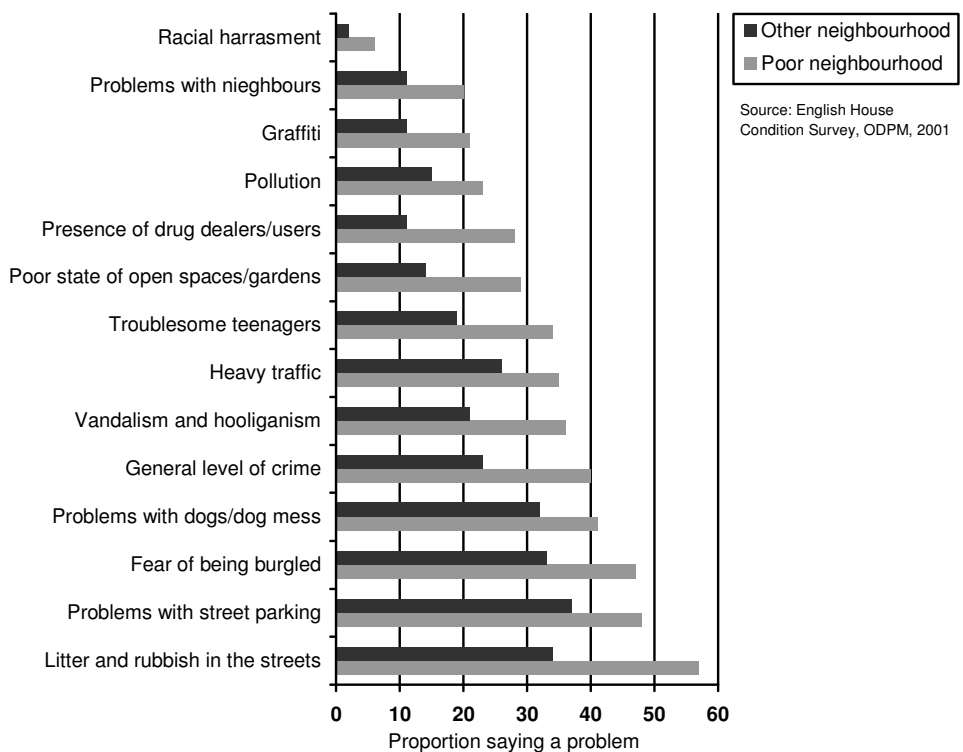
²¹ The US is an exception where higher inequality does not appear to be related to lower levels of life satisfaction.

Measuring overall life satisfaction and ‘happiness’ is an inexact science. Another way of accounting for wider conceptions of well-being is to look at specific issues that will affect people’s quality of life.

Local quality of life, crime and anti-social behaviour

Life satisfaction levels are undoubtedly affected by national policies and trends. But factors affecting people’s local areas are also important. People’s immediate environment makes a difference to social cohesion and trust, and depends on a multitude of factors such as cleanliness, housing, facilities and proximity to transport and services. Yet satisfaction with local areas is low across Britain. In 2000, 34 per cent of people felt local facilities were poor or very poor, and over a third said they had a high level of local problems, with those living in the most deprived wards being more than twice as likely to report dissatisfaction. Forty five per cent of those in the most deprived ten per cent of wards reported poor local facilities, compared to 23 per cent of those in the least deprived ten per cent of wards (ONS 2002). Chart 21 shows that, in 2001, across a range of different issues, those living in more deprived areas are more likely to report a problem.

Chart 21: Experience of problems at a neighbourhood level



Furthermore, in 2001, 38 per cent of social housing in Britain was assessed as not being in a decent state, and although this is an improvement since 1996, it was still some way behind the private sector (DEFRA 2002). And more than a quarter of child pedestrian casualties in 2001 happened in the most deprived ten per cent of wards (IPPR 2002).

A striking aspect of Chart 21 is the prevalence of crime and disorder as a concern. The experience of crime and the fear of crime are clearly central aspects of a good local quality of life. Supporting this, some research has identified a link between being a victim of crime, or being more fearful of crime, and broader measures of life satisfaction such as that used by the World Values Survey (Strategy Unit 2002a). We also know from 'willingness to pay' research that people are prepared to pay more in tax for a reduction in the level of crime in their local area, and that the amount they are prepared to pay increases with the seriousness of the crime.²² This suggests that freedom from the fear of crime has a tangible value, and that it significantly affects people's quality of life.

From a social justice perspective, it is not just the aggregate level of crime which is of concern but on whom the burden falls most. So what are the important trends?

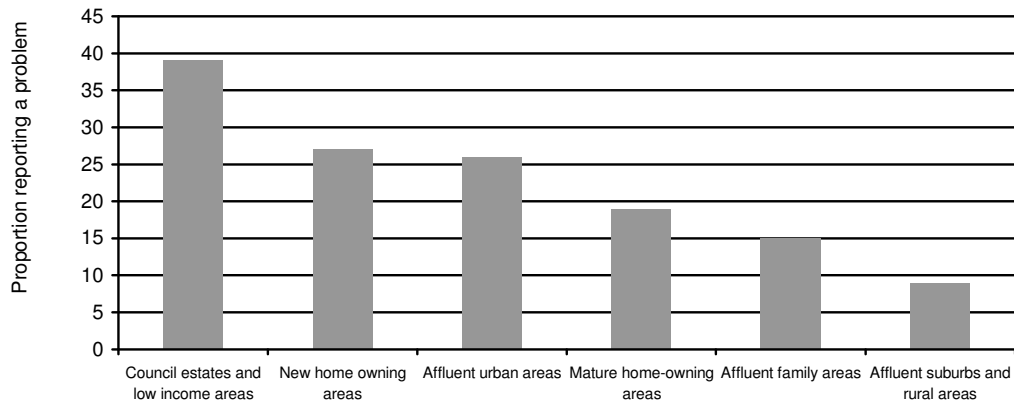
Most categories of crime are at their lowest level for 20 years. Official crime figures have fallen steadily since 1994 and in 2003 overall levels were down 30 per cent, burglary down 42 per cent and violent crime down 26 per cent on 1997 figures (Home Office 2004). Britain appears to be a safer society than it has been for many years. But there are two caveats which must be made. First, there has been a perception that low level crimes and anti-social behaviour are actually increasing (apart from in the very latest figures, which show a decrease). Second, crime and the fear of crime are not evenly distributed across the population – some unfairly suffer more of the burden than others.

Perception of increased anti-social behaviour

Perceived levels of anti-social behaviour have been rising since 1992 – although the latest figures show a significant drop in 2003/4 (Home Office 2004) – and concerns are particularly felt by the poor and those living in deprived areas. Chart 22 shows that more people consider anti-social behaviour a problem in deprived areas. Twenty eight per cent of households earning less than £5,000 perceived anti-social behaviour to be a 'very or fairly big problem' in their area in 2002/3, compared to just 18 per cent of those earning above £30,000 (Home Office 2003c).

²² The mean amount people are willing to pay for a 50 per cent reduction in the risk of their being a victim of crime was found to be £106.31 for common assault, £154.29 for other wounding and £178.33 for serious wounding (Atkinson, Healey and Mouratou 2003).

Chart 22: Anti-social Behaviour in different areas



Source: BCS 2002/3

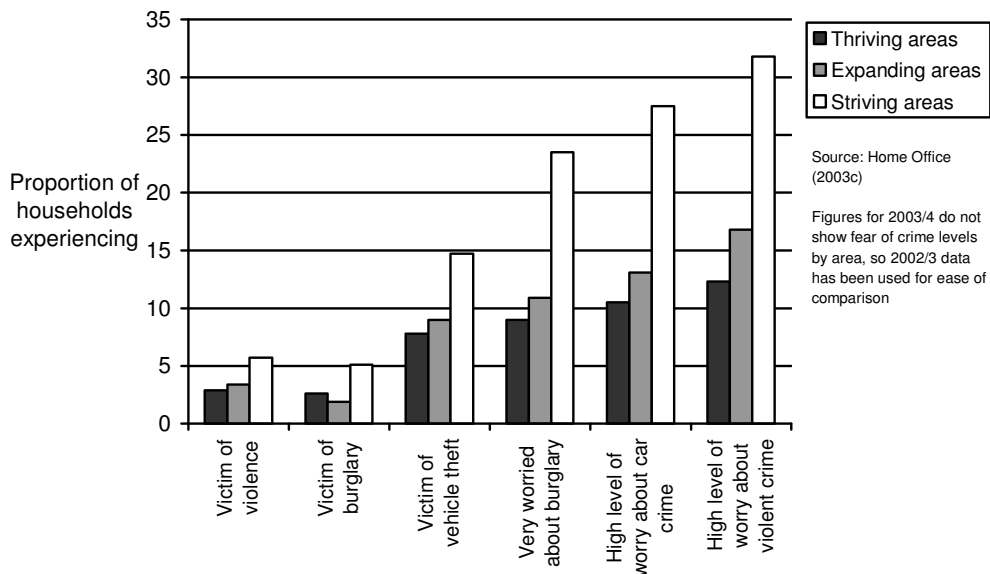
The distribution of crime and the fear of crime

The picture of the distribution of crime differs with different categories of crime. Some crimes are related to affluence. For example, theft from vehicles is more likely to be experienced by the wealthy. But for many categories of crime it is those on low incomes and those who live in disadvantaged areas who are more likely to be victims. Chart 23 compares the experience of crime in three types of area – ‘thriving’, ‘expanding’ and ‘striving’ – categorised by demographic, employment and housing characteristics. ‘Thriving’ areas are typically affluent home-owning areas with commuters and prosperous older people; ‘expanding’ areas are typically affluent working couples, families with mortgages and homeowners; ‘striving’ areas are typically council estates with elderly, lone parent or unemployed residents and multi-ethnic, low income areas.²³

The chart shows that people living in disadvantaged areas in 2002/3 were much more likely to suffer from burglary, violent crime and have higher levels of worry about crime than those who live in more prosperous areas.

²³ These are ACORN area definitions produced by CACI Ltd. See <http://www.homeoffice.gov.uk/rds/pdfs2/hosb703.pdf> for further detail.

Chart 23: People living in disadvantaged areas are more likely to suffer from crime and the fear of crime



Just over five per cent of households in ‘striving’ areas were victims of burglary in 2002/3, compared with 2.6 per cent of households in ‘thriving’ areas and 1.9 per cent of households in ‘expanding’ areas. This finding is supported if we relate the incidence of burglary to low income, rather than the more sophisticated measure of area deprivation used in the chart. British Crime Survey figures show that burglary is unevenly distributed across the income distribution, although care should be taken in interpretation: relative prosperity to neighbours makes a large difference, and there are great intra-regional variations. Overall, 4.8 per cent of individuals earning under £5,000 were burgled in 2003/4, compared with 2.7 per cent of those earning over £30,000 (Home Office 2004).

Disadvantaged areas also suffer from higher rates of violent crime. Experiencing such crime, although it rarely involves serious injury, can have a significant impact on people’s lives, making them less likely to be involved in their communities or travel at certain times and in certain areas. Overall violent crime rates have fallen at a slower rate than burglary, meaning that violent crime makes up an increasing proportion of total crime. In 1995 and 1997, 21 per cent of crime was violent crime, rising to 23 per cent by 2003/4. In 2002/3, 5.7 per cent of households in ‘striving’ areas were victims of violent crime, compared with 2.9 per cent of households in ‘thriving’ areas and 3.4 per cent of households in ‘expanding’ areas (Home Office 2003c).

Chart 23 demonstrates that fear of crime was unevenly distributed across the three types of area identified in 2002/3. This was also the case when looking across the income scale. Twenty seven per cent of those in the poorest income bracket were ‘very afraid’ of walking after dark, compared to just six per cent of those in the highest income bracket in 2002/3. Indeed the correlation between income and fear of crime

was stronger than the correlation between income and victimisation. The percentage of people from the lowest income group who had a 'high fear' of burglary, physical attack and of having their car stolen, was approximately double that for people with the highest incomes (Home Office 2003c).

Many ethnic minorities suffer consistently higher rates of victimisation and fear of crime too, whether or not overall crime rates are falling or increasing. Just under half – 43 per cent – of Asians and 40 per cent of black people are 'very afraid' of violent crime, compared to 19 per cent of whites (Home Office 2003c).

Crime: a narrowing class gap?

In summary, many crimes disproportionately affect those in more deprived areas and those on low incomes. Crime in recent years has been highly unequally distributed, with those in deprived areas being much more likely to be victimised and experience high levels of fear of crime. But what are the trends over time?

This is an under-researched area. There is no established way of monitoring the distribution of crime over time. Where this has been tried there is some evidence to show that this distribution has become more unequal since the early 1980s (Trickett *et al* 1995).²⁴ But this work does not capture any recent developments.

Looking at the changes observed in the British Crime Survey, there are some signs that the situation is improving, as crime is becoming more equally distributed (Chart 24). Although crime levels have fallen substantially since 1997, and fear of crime has risen in the same period, the impact has been slightly different for different income groups. The relative rates of victimisation and fear between poor and rich households have shown some change, with the poor being less likely to suffer from violent crime and the fear of crime relative to the rich in 2003/4 compared to 1999 or 1997.

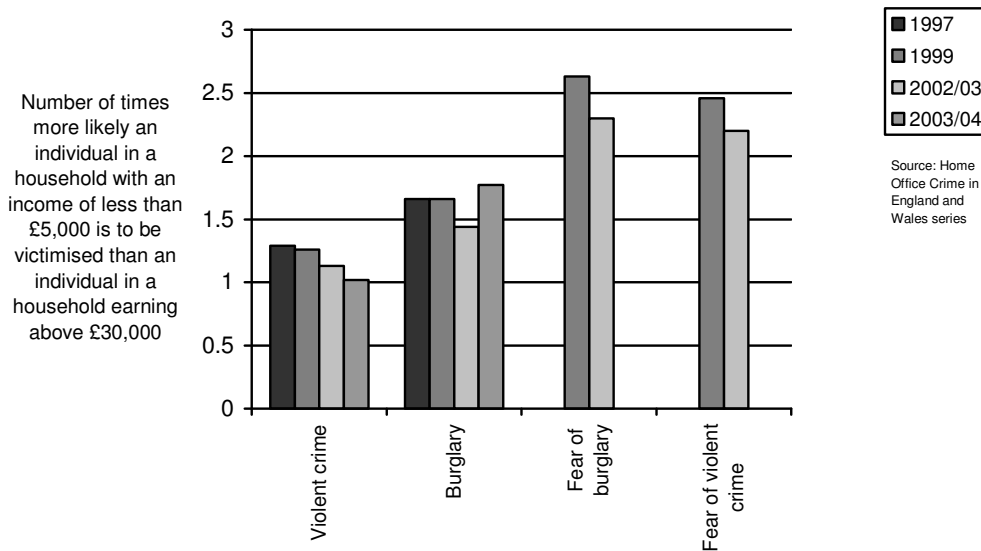
Domestic violence

One category of crime not shown in Chart 16, but which does appear to be related to income, is the experience of domestic violence.

During the last year women in households with an income of less than £10,000 were three and a half times more likely to suffer domestic violence than those living in households with an income of over £20,000 (Walby and Allen 2004). This is important, not only because of the often devastating immediate impacts of experiencing domestic violence but also because it can potentially affect women's opportunities, as they are forced to take time off work and suffer mental as well as physical stress.

²⁴ By constructing a Gini coefficient for crime, they were able to show that the distribution of crime became much more unequal during the 1980s and early 1990s.

Chart 24: Crime and the fear of crime are becoming more equally distributed



In 2003/4, the poorest households were 1.02 times as likely to be victims of violent crime, compared to 1.29 times as likely in 1997, and they were 2.3 times as likely to be afraid of physical attack in 2002/3, compared to 2.6 times as likely in 1999. A broadly similar pattern is observed when looking at the relative crime rates of ‘thriving’, ‘expanding’ and ‘striving’ areas. Although the direction of change appears positive, we should not lose sight of the fact that a gap remains. Further research would also be required to test the robustness of these trends.

Health

People’s health status is something consistently found to be related to their sense of well-being. Self-reported health has one of the strongest associations with life satisfaction; stronger even than changes in employment or marital status. There has also been a longstanding concern with health inequalities amongst policy-makers. Following in the footsteps of the Black report, which was quietly shelved in 1980, one of the early decisions made by Labour in 1997 was to commission an independent inquiry into health inequalities (the Acheson Inquiry).

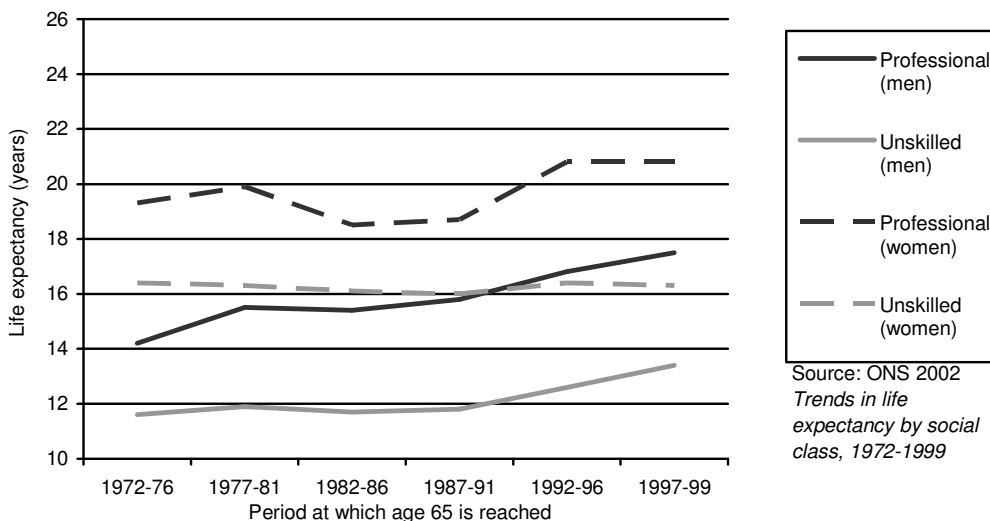
The literature on health inequalities is voluminous and we do not seek to cover it in detail. It is also the case, as with social mobility, that tackling health inequalities is a long-term ambition and the effects of policy are both delayed and difficult to measure. Although in some areas there has been success – male deaths from circulatory diseases have fallen by nine per cent since 1997, and female deaths from pneumonia have fallen by 42 per cent in the same period (ONS 2003) – we would not expect to see dramatic changes in mortality rates over only seven years. Yet, it is worth reiterating that significant injustices remain along class, gender, geographical

and ethnic lines. These are injustices which matter not only in relation to life satisfaction, but also in relation to social mobility and life chances.

Social class, deprivation and health

People are living longer, but differences in life expectancy between the top social class and bottom social class appear to have grown in recent years. Recent data have confirmed the existence of a class divide: unemployed men are more than four times as likely to be in bad health as those in top social class (Doran *et al* 2004). And Chart 25 shows the life expectancy of the top and bottom social class at age 65. Men in the highest social class reaching age 65 between 1997 and 1999 had a life expectancy of 17.5 years, compared to 13.4 years for men in the bottom social class, a difference of 4.1 years. Worryingly, this is significantly greater than the gap between the top and bottom social class aged 65 in 1972-1976, which was 2.6 years. For women, the gap was less dramatic and the pattern harder to discern, but the difference in life expectancy between social classes also increased between 1972 and 1999, and the life expectancy for women in the bottom social class actually decreased over the same period.

Chart 25: Trends in life expectancy at age 65 by social class



Whilst a significant part of this difference is due to the much greater rates of smoking-related disease in lower social classes, this is by no means the only contributing factor. For example, the death rate from coronary heart disease is three times higher among unskilled manual men of working age than among professional men. Emerging evidence suggests that a cause of coronary heart disease may be work-related stress, particularly where there is high demand and low control at work (Marmot *et al* 1999). It is also linked to higher levels of obesity among those from

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manual social classes: 28 per cent of women in social class V are obese, compared to 14 per cent in social class I.

With mental health too, those from lower social classes and on lower income are disadvantaged. Only 25 per cent of adults with long-term mental health problems are in work and two thirds of men under the age of 35 with mental health problems who commit suicide are unemployed (SEU 2004). As regards social class, an unskilled working man was, at the time of the last census, almost four times more likely to commit suicide than his professional counterpart. The suicide rate for men aged 25 to 44 has increased considerably from 15.1 per 100,000 in 1971, reaching a peak of almost 25.6 per 100,000 population in 1998 before levelling off and falling slightly to 24.1 per 100,000 in 2002 (ONS 2003).

Although there is thought to have been no significant change in the prevalence of mental health in the past decade, it could increase in importance in the future (SEU 2004). The World Health Organisation projects that depression will become the leading cause of disability by 2020 and among young people trends have been upwards (WHO 2001, Rutter and Smith 1995).

Environmental quality

The state of the environment makes a significant difference to health levels, as well as overall enjoyment of living in an area. Polluted rivers, high levels of traffic fumes and poor air quality exacerbate asthma, discourage people from exercise and other outdoor social activities. Enjoying and experiencing the environment is an integral part of living in Britain and care must be taken to foster sustainable development wherever possible. Our objective should not just be overall reductions in pollution and improvements in the quality of local environments. We should be concerned with how different environmental 'bads' affect different groups and areas.

Overall there is a mixed picture on environmental quality. Some indices have improved. Air quality was dramatically better in 2003 than in 1990, particularly in urban areas where the number of days with high pollution halved in ten years. But others have got worse. Between 1991/2 and 2001/2, the amount of household waste not recycled or composted increased by 12 per cent from 417 to 456kg per person, and Britain still has a worse record on landfill than the rest of Europe (DEFRA 2003).

Unfortunately, there is relatively little evidence available in the UK on the relationship between environmental quality and social deprivation. That which exists shows that deprived communities do suffer the worse effects of environmental degradation but the scope of such studies is limited. Recent research showed that industrial sites were disproportionately located in deprived areas: there were five times as many sites in bottom ten per cent of wards, and seven times as many emission sources, as in the top ten per cent of wards (Walker *et al* 2003).

But the picture may not be clear cut. In some parts of the country environmental quality is not related to deprivation. In Wales for example there is a greater tendency

for higher income groups to live in Cardiff, and experience a poorer urban environment, and for lower income groups to live in the old coalfield areas which, on some measures, have a cleaner local environment.

Summary

Concern with quality of life, or 'happiness', is relatively new. It has not usually been considered an issue of social justice, but the data presented in this section highlight that many aspects of a good quality of life are distributed unevenly across the population. In some cases such with health, which we do not address here, this inequity has been well charted, but in others such as crime and environmental quality, data is harder to come by. Questions about the distributional impact of both these factors are ripe for further exploration and policy development.

Quality of life: key facts

- Since 1996 levels of life satisfaction appear to have declined for the poor. *Between 1996 and 2003 the proportion of those on low incomes satisfied with family life fell by 15 per cent from 60 to 45 per cent.*
- Perceived levels of anti-social behaviour have risen since 1992 with concerns particularly felt in deprived areas. *28 per cent of households earning less than £5,000 perceived anti-social behaviour to be a 'very or fairly big problem' in their area in 2002/3, compared to just 18 per cent of those earning above £30,000.*
- The poorest continue to be more likely to fear and suffer from crime. *5.7 per cent of households in the most disadvantaged areas were victims of violent crime, compared with 2.9 per cent of households in the least disadvantaged.*
- Life expectancy in different social classes at the age of 65 has polarised. The difference between men from the highest and lowest social class in 1997/9 was 4.1 years, an increase from a difference of 2.6 years in 1972/6.
- Deprived communities suffer the worse effects of environmental degradation. *Industrial sites are disproportionately located in deprived areas: in 2003, there were five times as many sites in the bottom ten per cent of wards, and seven times as many emission sources, than in the top ten per cent of wards.*

Injustice Today: 10 key facts

In this paper we have sought to demonstrate that while in many respects Britain is a fairer, better place in 2004 than it was in 1994, it remains far from socially just. The box below highlights ten key facts.

- In 1998 the UK was bottom of the European league, with the highest child poverty rate in the EU, but by 2001 the UK had risen to 11th out of 15. *Yet compared to the best performing European countries the UK still has a poor record. In 2001 – the last year for which international figures are available – 23 per cent of children in Britain were living in households earning below 60 per cent of median income, compared to just five per cent in Denmark, ten per cent in Sweden and 14 per cent in Germany.*
- Working age adults without children constitute an ‘unfavoured group’, who have not benefited from government policy. *In 1994 they constituted 25 per cent of people in poverty. By 2002/3 this had increased to 31 per cent.*
- Inequality in disposable income (after taxes and benefits) appears to have slightly increased since 1997 after significant increases in the 1980s. *The Gini coefficient has increased from 33 in 1996/7 to 36 in 2001/2.*
- The richest have continued to get richer. *The richest one per cent of the population has increased their share of income from around six per cent in 1980 to 13 per cent in 1999.*
- Wealth distribution is more unequal than income distribution, and has continued to get more unequal in the last decade. *Between 1990 and 2001 the percentage of wealth held by the wealthiest 10 per cent of the population has increased from 47 per cent to 56 per cent.*
- Although the gender pay gap has narrowed only very slow progress has been made since 1994. *In 1994 women in full-time work earned on average 79.5 per cent of what men earned. By 2003 this had only increased to 82 per cent.*
- Intergenerational social mobility appears to have declined. *Sons born to fathers from the richest fifth of the population in 1958 earned, on average, 13 per cent more than those from the bottom fifth of the population. In comparison, sons born to wealthy fathers in 1970 earned 37 per cent more than their poorer contemporaries.*
- Interest in politics has fallen slightly across all social classes, but there is a growing class divide. *Between 1991 and 1999 interest in politics halved for social classes D and E.*

- The poorest continue to be more likely to suffer from crime and the fear of crime. *4.8 per cent of individuals earning under £5,000 were burgled in 2003/4, compared with 2.7 per cent of those earning over £30,000.*
- Deprived communities suffer the worse effects of environmental degradation. *Industrial sites are disproportionately located in deprived areas: in 2003, there were five times as many sites in the bottom ten per cent of wards, and seven times as many emission sources, than in the top ten per cent of wards.*

The stakes could not be higher for those arguing for greater social justice in the UK. The current government *is* committed to key elements of a ‘social justice’ agenda (reducing poverty, tackling social exclusion, defending the principle of free-at-the-point-of-use access to public services) yet there is a strong sense that the reform programme is incomplete and vulnerable to challenge. Despite the boldness of the government’s pledge to eradicate child poverty and expand investment in public services, it appears to lack a vision that it feels comfortable to articulate publicly and pursue consistently. This has led some critics to accuse it of trying to achieve ‘social justice by stealth’.

The next five years are likely to be politically critical. To achieve firm foundations for a ‘progressive century’, the Government needs to lead public debate more firmly in a progressive direction – to explain, justify and secure support for social justice. It has an historic opportunity not just to consolidate its achievements but also to set a course towards lasting social and economic change.

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