COUNTRY FICHE UNITED KINGDOM

The social impact of the financial crisis in the UK[1]

Contents

[1] The UK has devolved government to differing extents in Scotland, Northern Ireland and Wales. The CSR is produced by UK government, but devolution means that many reforms in health and education and local governance apply only to England or England and Wales. This short draft cannot address these differences, but where reforms apply only to England, this is stated

Introduction

The UK is undergoing the destruction of its social settlement. As Chancellor Osborne stated in a speech to his party conference on 8 October 2012 "Beneath the sound and fury of daily debate a quiet revolution is taking place...the most radical and reforming period of government this country has seen for a generation...I am the Chancellor who is cutting the size of government faster than anyone in modern times."[2]

The evident government aim post-financial crisis is to dismantle the welfare state, completing the Thatcherite revolution of 1979-1990; this requires not only spending reductions but radical institutional change. The justification is to stimulate growth and competitive fitness in a globalised world.

Following this introduction on the UK Coalition Conservative-Liberal government's narrative of the cuts, this fiche reports these developments in two main Parts: Part 1: Austerity budgets and institutional reform; Part 2: Social impact.

Deficit and debt

The deficit is the difference between what a government spends annually and what it takes in as revenue. If annual spending is greater than revenue, then the deficit adds to the size of the debt. UK debt is the total of what the country owes historically.

The Coalition government's aim was to reduce the deficit and eliminate the "structural" part of the deficit. The concept of structural deficit implies that even in an economy growing at its maximum, there is a part of the deficit due to overspending that would still remain. The Coalition government aimed to take more than 6% out of GDP in spending cuts to reduce the deficit and by 2015 balance the budget. The opposition also aimed to cut the deficit, but more slowly, due to the risk of damaging economic recovery by cutting government spending before the economy was robust enough to replace it with private spending to stimulate growth and jobs.

However, much of the public believes that the government's aim is to cut debt, which will continue to rise for as long as there is an annual deficit to add to it. The public may be shocked to find in the run-up to the general election of 2015 that UK debt is projected to be £1.4b by then, £600b higher than in 2010, due to the cuts inducing recession and a collapse in tax revenue, as well as a poor outlook for growth in our trading partners in Europe.[3]

The size and evolution of the deficit

The deficit of expenditure over revenue fell from 11.5% in 2009/10 to 9.6 % in 2010/11. The deficit in 2011/12 was down again to 7.7% of GDP. Thus the UK government has succeeded in cutting the deficit, but improvement seems to have stopped in 2013 and the "structural deficit" has barely reduced.

The size and evolution of the debt

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[2] Speech reported by: Toynbee, P. (2012) For these one-term Tories a shrunken state is the prize, *The Guardian*, October 9, p31

[3]Johnson, A (2012) Don't know your debt from your deficits? You're not alone, *The Independent*, 27 August 2012, accessed at http://www.independent.co.uk/news/uk/politics/dont-know-your-debts-from-your-deficits-youre-not-alone-8082168.html

For the twenty years before the Great Recession of 2008-2009, public debt averaged close to 40% of GDP. By spring 2010 gross debt was 74%, but the economy was out of recession following co-ordinated reflation.

In quarter 1 of 2012, UK gross debt[4] was 86% of GDP; net debt was about 66% of GDP. By December 2012, net debt was 70.7% of GDP, i.e., £1,111b, an increase of £101.8b.[5] Servicing the debt takes 3% of GDP.

Reporting deficit and debt under the Maastricht Treaty/ excessive deficit procedure

Net debt is how the UK government calculates its figures. There are some differences in methodology between the way the UK Office for National Statistics calculates the figures for domestic use and the way they must be reported to the EU under the excessive deficit procedure. The EU figures must also be reported in gross rather than net terms. Table 1 below shows the evolution of debt and deficit according to the EU methodology, but the figures are rather dated, the most recent are for 2011. The summary data below are for March; there were some upward revisions to detailed tables in autumn 2011.[6]

Table 1: Government deficit and debt

Source: ONS (2012) Government debt and deficit under the Maastricht Treaty calendar year 2011, Table 1 debt and deficit, March

Deficit and debt	**2007**	**2008**	**2009**	**2010**	**2011**
General government **deficit £bn**	38.72	72.0	159.2	148.5	124.6
as a % of GDP	2.7	5.0	11.4	10.0	8.3
General government **debt at nominal values £bn**	624.7	753.6	950.8	1108.4	1250.3
as a % of GDP	44.4	52.6	68.2	75.7	82.9

The current state of the economy

Weak/ absent economic growth

The economy has been through "double-dip" recession, with only half of the production loss since the Great Recession of 2008-9 recovered and negative growth of around -0.2% for 2012. The government said that there are some "green shoots" of recovery and they and the IMF were forecasting growth in 2013 of 1.1% but in the March 2013 Budget the government declared that growth will be only 0.6%.

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[4] UK public debt is the amount the UK government has borrowed by issuing financial securities though UK treasury and other public agencies, which are bought by the private sector and held as assets. The data in this section are from Office for National Statistics (ONS) (2012) Government debt and deficit under the Maastricht Treaty, Financial Year 2011/12, *Statistical Bulletin*, September 28, accessed at http://www.ons.gov.uk/ons/dcp171778_280559.pdf

[5] Office for National Statistics (ONS) (2013) Public sector finances December 2012, *Statistical Bulletin*, 22 January, accessed at http://www.ons.gov.uk/ons/dcp171778_295776.pdf

[6] ONS (2012) *Government debt and deficit under the Maastricht Treaty calendar year 2011*, Table 1 government debt and deficit, March 30, accessed at http://www.ons.gov.uk/ons/dcp171778_260737.pdf

The UK Coalition government and the independent Office for Budget Responsibility it established, as well as the IMF, have all been too optimistic in past years, revising down repeatedly. The Labour opposition's perspective may have been proved correct – the IMF now admits that it underestimated the "multiplier"[7] effect of the cuts. The IMF used to think the multiplier was about 0.5, now it thinks it is between 0.9 and 1.7.[8] Taking a middle estimate of 1.3, the Trades Union Congress (TUC) has estimated that the Chancellor has taken £76b[9] more than he intended out of the economy, contributing hugely to the double-dip recession and taking away much of this Government's justification for the scale of cuts to welfare spending.

Weak competiveness in international trade

The UK's underlying competitive position is weak, underscoring the likely bleak future prospects for growth.

At more than £28b, the trade deficit in the second quarter of 2012 was the largest of modern times.[10] Yet the fall of 25% or more in the value of the pound sterling may have helped recently to encourage exports and restrict imports. Third quarter figures improved so that the overall current account imbalance fell from 4.6% of GDP in the second quarter of 2012 to 3.3% in the third quarter. Despite the fall in the value of the currency this is still a very weak performance compared with 2011 when the current account deficit was 1.3% of GDP. [11]

While the UK varies between Balance of Payments surplus and small deficit with the rest of the world, the UK has a substantial Balance of Payments deficit with the EU. But given recession in the Eurozone, the UK is unlikely to be able to improve its trade position with the EU.

Businesses unwilling to invest

Business sentiment is increasingly negative. The severe capital cuts in most government departmental budgets affected private business suppliers and negatively affected conditions for growth. Business leaders want state support for private investment – for example in housing development and airport expansion, cuts in alleged bureaucratic "red tape" such as planning regulations and health and safety legislation plus cuts to employment protection.[12] In announcements in September 2012, the government has made proposals in all these areas, mostly with negative impacts on poorer people. There is no other fiscal stimulus envisaged besides the March 2013 Budget help for businesses in an overall fiscally neutral budget.

The impact of weak growth prospects/ recession on the public finances

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[7] **The fiscal multiplier** is the ratio of a change in national income to the change in government spending that causes it

[8] IMF (2012) See both publications: Taking stock, a progress report on fiscal adjustment, *Fiscal Monitor*, October, accessed at http://www.imf.org/external/pubs/ft/fm/2012/02/pdf/fm1202.pdf and also Coping with high debt and sluggish growth, *World Economic Outlook*, October, accessed at http://www.imf.org/external/pubs/ft/weo/2012/02/index.htm

[9] See http://touchstoneblog.org.uk/2012/10/fiscal-multipliers-the-imf-the-obr/

[10] Stewart, H. (2012) Britain in the red by record £20.8b, *The Guardian*, September 27, accessed at http://www.guardian.co.uk/business/2012/sep/27/uk-gdp-economy-data-second-quarter

[11] ONS (2012) Balance of payments Q3 2012, Statistical Bulletin, December 21, pp3-5, accessed at http://www.ons.gov.uk/ons/dcp171778_287129.pdf

[12] Inman, P. (2012) Business leaders press Osbourne to boost investment - quickly. *The Guardian,* August 22, p6

Lack of growth has meant that the UK public finances are worsening again. Debt is forecast to be higher in 2015 than the total for the previous thirteen years of Labour government. The total budget deficit is now £47.2b, £11.6b up on 2011.

Tax revenues are down, including corporation tax. A contributor is the significant fall in North Sea oil and gas receipts following an 18% drop in production. In part this was a business response to a previous tax rise on North Sea production, itself part of a wider "investment strike" by big business, which is sitting on cash piles in case investment does not pay off.

The lack of growth means that the assumed structural budget deficit will not be eliminated by cutting spending each year until 2015, there will now be more cuts for longer - till 2018 (three years into a new Parliament) and the Prime Minister has suggested it will be 2020 before spending cuts cease.

The narrative justifying the economic strategy of "austerity" cuts

Chancellor Osborne justified the 6% of GDP cuts to UK public spending announced in 2010 to "get out of the mess Labour left us in" and eliminate the "structural deficit" by 2015: to retain the confidence of the financial market actors and our "triple A" credit rating with the three international ratings agencies. He suggested that otherwise the UK would face the "Greek" situation of being excluded from borrowing on financial markets.
The narrative of an emergency requiring rapid action on all fronts belies the fact that the UK coped with debt that was 200% of GDP at the close of World War 2.

The Coalition government narrative rarely includes the financial origins of the Great Recession and the bail-out of banks, or the coordinated international spending programme by governments to prevent a slump. The combined effect of these plus the recession-inducing cuts programme has doubled public debt and trebled the budget deficit.

No substantial action has been taken to prosecute past reckless and illegal financial activities of big banks or to prevent further high risk and illegal activities by banks and the scandals continue. Recently, Barclays Bank was fined for manipulating the LIBOR rate (London inter-bank rate) which underpins $350 trillion of contracts worldwide; but the £290m fine is just one-tenth of the annual Barclays salary bonus pool of £2.7b.

The assumptions and the strategy

Chancellor of the Exchequer Osborne's assumptions are: that British problems are structural, due to a culture of excess borrowing to fund welfare and a narrow production base; the recession is temporary until private business takes up the slack and the Eurozone troubles are a big cause of UK recession. Fiscal tightening and supply-side deregulation are his preferred solutions. These are the same menu as that given the "troika" countries.

The Chancellor has assigned the Bank of England (BoE) to the main work of getting the UK out of recession through expansionary monetary policy. Since 2009 the Quantitative Easing programme (QE) has injected £375b of cash into the economy through the BoE buying up government bonds (debt), so that the Bank now holds one-third of all UK government bonds. There is little evidence QE is not just "pushing on a piece of string" as bank lending has not increased as government hoped.[13] Due to the risk of a "triple-dip" recession in 2013, there may be more QE or other "unconventional" monetary stimulus, although QE monetary expansion is destroying the return on savings.

"No turning back"

Despite recession, Chancellor Osborne has stuck to his supply-side views. In a speech on October 8 2012 to his party conference, he unveiled his only new proposal to stimulate job creation. Though there has been some pull-back, he proposed that new employees can volunteer to give up their employment rights, for example regarding unfair dismissal and maternity rights, in return for tax relief on company shares. Even were this morally acceptable, four out of five small businesses fail and if employees do not pick the winner, they have given up their employment rights for nothing – and they will have lost their jobs too.

All three main parties have a similar narrative of the need for cuts. The Labour opposition say that the cuts are "too far and too fast" and will kill economic recovery. It looks like they are right, but it is not clear what they are willing to do instead. According to the Financial Times, the ratings agency Moody's "stripped the UK of its triple A credit rating, saying sluggish economic growth and austerity will continue to affect the government's finances into the second half of the decade".[14] Prime Minister Cameron announced that the loss of the triple A rating means that we must go "further and faster" on cuts to reduce the budget deficit.[15] In the Budget of March 20 2013, it was announced that more welfare cuts were to be expected in June 2013, in the context of the next three-year CSR.

In Crouch's 2012 book, "*The strange non-death of neoliberalism*" he refers to "totalitarian capitalism" and argues that the state and markets are not in conflict, but together meet the demands of giant corporations. Through corporate financing of politicians' campaigns, networking and lobbying, the state champions their interests, assisting giant corporations in winning overseas markets, removing regulatory constraints, excluding new entrants to monopoly and oligopoly markets and preventing multinational corporations' exit as "too big to fail".[16]

Yet there is rising international concern about the impact of austerity and inequality on stability and growth in capitalist systems – for example the IMF (see later section) which is concerned that Europe is going too far too fast in lock-step on austerity. A special report in The Economist17 journal of October 13th 2012 suggests inequality world-wide has gone too far and is damaging capitalism. Now may be the time for all those concerned about poverty and social justice to push hard for progressive change.

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[13] Elliott, L. (2012a) How Osbourne could deliver winning performance. *The Guardian,* August 27, p19. Boseley, S. (2012) Rise in suicides blamed on impact of recession. *The Guardian,* August 15, p6. Elliott, L. (2012b) Pursuit of credit ratings clouds Osbourne's vision. *The Guardian,* July 30 p20

[14] Rodriguez, V. and Foley, S. (2013) UK loses triple A credit rating, *Financial Times*, February 22, accessed at http://www.ft.com/cms/s/0/ad9992b4-7d38-11e2-8bd7-00144feabdc0.html#axzz2MVlnsHYR

[15] Ross, T. (2013) David Cameron: we must cut deficit "further and faster", *The Telegraph*, February 27, accessed at http://www.telegraph.co.uk/news/politics/9897660/David-Cameron-we-must-cut-deficit-further-and-faster.html

[16] Monbiot, G (2012) Our economic ruin means freedom for the super-rich, *The Guardian*, 31 July p26 accessed at http://www.guardian.co.uk/commentisfree/2012/jul/30/economic-ruin-super-rich-totalitarian-capitalism

[17] The Economist special report; True progressivism; the new politics of capitalism and inequality, October 13-19, London, *The Economist, vol 405, no.8806*

The role of the EU

There is no role for the EU in influencing the UK Coalition government's approach to economic management. The current European Commission and European Central Bank approach to cutting sovereign debt and deficit is similar to the UK government's and has been greatly influenced by Anglo-American "orthodox" economic theory, commonly known as neo-liberalism. Given the global centrality of the UK financial sector and its importance as a source of UK tax revenue, the UK government has been influential in watering down EU moves on banking reform and in leading the attack on a Financial Transactions Tax.

The UK government has taken the decision to "stand aside" from action on the Eurozone crisis other than to exhort Eurozone governments to complete fiscal and monetary union, which if implemented and requiring further Treaty changes, may lead to demands for a referendum in the UK on withdrawal from the EU.

The Conservative partner in the UK Coalition government wishes to "repatriate" EU powers in the social field. The current government does not report on the Europe 2020 targets as such although the previous government signed up to Europe 2020. Therefore there is little information on the EU headline targets on employment, education and poverty or social exclusion in the National Reform Programme 2012.[18]

However because UK government is devolved in many employment, health and education matters, there is some information in the 2012 National Reform Programme report on the employment target (75% employment rate for those aged 20-64) from the devolved governments and administrations, because they have chosen to report them, though for those aged 16-64. The figures are: Scotland (71.38%), Northern Ireland (68%) and Wales (68.4%). The UK figure was 70.4%. Scotland also reported on the education targets for school dropout: 13.8% of 20-24 year olds were early leavers in 2010 compared to the EU target of 10% but for a differing age group, and 49.8% compared to a 40% target for the share of 30-34 year olds with tertiary education. Scotland also produced its own NRP and included a solidarity target on inequality. The UK government did not report figures for at-risk-of poverty or social exclusion and neither did the devolved governments and administrations. It did report its progress on its national child poverty target.

A single stakeholder event was held in Wales and in Scotland. No other stakeholder events were held.

[18] HM Government (2012) Europe 2020: UK National Reform Programme 2012, London, HM Government, chapter 4

PART 1
"AUSTERITY" BUDGETS AND INSTITUTIONAL REFORM: THE COALITION GOVERNMENT'S COMPREHENSIVE SPENDING REVIEW (CSR)

The Comprehensive Spending Review (CSR) sets public spending for three year periods. In the 2010 CSR[19] the Coalition Conservative-Liberal government announced a programme of budget cuts that are "almost without precedent in historical and international context".[20]

By 2015 the CSR foresaw £99b in spending cuts and £29b in tax rises, equivalent to 6.2% of GDP. The average cut to central government departmental budgets was 19%. The CSR forecast 490,000 job losses in the public sector, though estimates have run as high as 720,000.[21] Cuts were made in all departments, including police, defence, justice and culture. Since the 2010 announcements there have been further cuts and public spending cuts are now expected to continue until 2018 or beyond as the economy has continued to stagnate, offsetting the impact of government cuts because revenues have fallen.

This fiche Part 1 focuses on the social/ welfare sector cuts and the institutional reforms that accompanied them.

Department for Work and Pensions

Budget cuts

In 2010, the Department for Work and Pensions (DWP) had an annual budget of £9bn in departmental spending and a separate welfare and pensions' budget of £192bn. The 2010 CSR announced another £7bn in welfare spending cuts on top of £11bn already announced. Before the cuts, out-of-work benefits and tax credits for low income households were about 30% of total government spending. State pension funding is half the total welfare bill. Because the Conservative Coalition partner's manifesto committed to protecting pensioner benefits, the total of 2010 announced cuts in working-age welfare benefits is more than 30% of the working age welfare bill.

Some examples of cuts announced in the CSR 2010 include:[22]

Support for the additional costs of children

- Changes to tax credits that help subsidise low wage working families with children were announced in 2010 and came into effect in April 2012.The Institute for Fiscal Studies calculated that up to 850,000 families will lose all of their child tax credit, worth at least £545 per year, but those on the lowest incomes will be hit much harder. There is an increased working hours' threshold for couples with children to be eligible for child tax credit. An estimated 212,000 working couples with children who earn less than £17,000 a year will lose all their working tax credit – worth up to £3,870 – unless they can find an extra eight hours of work a week in a recession, increasing their hours from sixteen to twenty-four, of which one partner must work

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[19] HM Treasury (2010) *Spending Review 2010, Cm7942,* October

[20] Cohen, N. (2012) IFS warns on scale of spending cuts, *Financial Times*, February 1, accessed at http://www.ft.com/cms/s/0/064a6902-4ce7-11e1-8b08-00144feabdc0.html#axzz29NeMGa15

[21] Oxfam (2012) *Briefing paper: The perfect storm: economic stagnation, the rising cost of living, public spending cuts and the impact on UK poverty,* June, pp 16,23

[22] BBC (2010) *Spending Review: key points at-a-glance, www,bbc.co.uk/news/uk-politics-11569160,* October 21

at least sixteen hours.[23] The losses are very large compared to the few hundred pounds sterling of gain from increases to personal tax allowances that the Liberal coalition partner achieved in return for agreeing to a 5% tax cut for the richest households

- Ending of universal child benefits for all families with children. They are eliminated for higher rate taxpayers (better-off people). For other families the value of the benefits is frozen for three years, 2011-2014. A couple with one child would have received £88 a year more in child benefit or £145 a year for two children in 2012-13 if it had been raised in line with inflation. The cuts are estimated to raise £2.5bn
- In 2011, the universal Health in Pregnancy grant of £190 was abolished and Sure Start maternity grant for poor families on out-of-work benefits was restricted to first child only
- A "cap" (maximum allowed sum) on benefits per family, regardless of circumstances.

Working-age unemployed benefits

- Previous governments had already addressed unemployment benefits, ensuring they declined as a proportion of median wages and changing their name to Job-Seekers Allowance, to reflect the change from an insurance-based right to an income if unemployed, to a charitable allowance for meeting certain conditions
- The Coalition's main change was to introduce a new 12-month time limit on the Employment and Support Allowance (ESA) for people not currently fit for work which will force an estimated 200,000 claimants onto the lower level of benefit provided by Jobseekers Allowance (the main unemployment benefit for those fit for work). By 2015/16 an estimated 700,000 people will be affected with an average loss of £51.85 a week.[24]

Support for the additional costs of disability

- An estimated 500,000 people with disabilities will suffer cuts to their income from phasing out of Disability Living Allowance (DLA). DLA is non-means tested financial assistance for the extra costs of living with a disability; it is paid to children, people in and out of work and retirement pensioners. The cost has been rising, largely due to medical advances that have resulted in the survival of more disabled children and adults. Claimant numbers have risen in eight years from 2.5m to 3.2m recipients, the government is tightening eligibility and the pot of money available[25]
- From 2013 new tougher medical tests for those of working age are introduced for DLA'a replacement, the Personal Independence Payment. Tests start in 2013 and the government aims to reduce spending by £2.24b by 2014/15.[26] Carers UK estimates that by 2015/16 there will be 500,000 fewer people getting Personal Independence Payment than would have received DLA if these changes had not taken place. This amounts to a cut of 23% (almost 1 in 4) in the number of people who would be entitled to DLA.[27]

Housing support

- A 10% cut in the council tax benefit budget (which helps low income workers and non-workers pay their local tax), with the budgets to be administered locally rather

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[23] Insley, J. (2012) Tax Credit changes mean bleak Friday for thousands of poor families, *The Guardian,* April 5, accessed at http://www.guardian.co.uk/money

[24] CPAG (2012)The cuts: what they mean for families at risk of poverty, accessed at http://www.cpag.org.uk/sites/default/files/CPAG_The_Cuts_what_they_.pdf

[25] Ramesh, R. (2012) Atos wins £400m of contracts to run disability test. *The Guardian,* August 3, p11

[26] See Disability rights UK, e.g. *Factsheet on Disability Living Allowance* accessed at http://www.disabilityrightsuk.org/f23.htm

[27] See http://www.carersuk.org/help-and-advice/focus-on/item/2479-welfare-reform-your-questions-answered/2479-welfare-reform-your-questions-answered?start=4

than centrally and local authorities allowed flexibility in deciding who will be helped and who will not, from the capped budget. This is likely to create a "post-code lottery" with different groups (apart from those covered by the Equality Duty) being eligible in different areas, or with smaller sums being paid to groups. Because retirement pensioners are protected, the cut to poor working age adults is closer to 30% than 10% in most northern and midlands cities. Since most poor people of working age will now pay at least some of this tax, local authorities will be forced to chase many people for small sums they cannot pay, at huge administrative cost. In Scotland, the Scottish Government and local authorities have decided to fund the 10% cut in CTB and in Wales the Welsh Assembly Government has decided to absorb the cut. In Scotland, local authorities will administer the system but there will be a single system, avoiding the post-code lottery problem.

- Local Housing Allowance is set to cover only one-third of all rental properties in any area and the allowance will be uprated only by the Consumer Price Index (CPI), so its value will decline over time, if wages rise faster than prices. CPI is usually nearly 1% below the Retail Price Index (RPI) which includes housing costs and is calculated using a different formula. 50% of Housing allowance claimants are low income women, often single parents, who may be forced to move to cheaper (and worse) accommodation, which may involve changing schools and doctors, with consequent impact on their children[28]
- Adults or families deemed to have a "spare" bedroom will have their benefit cut by an average of £14 a week. Children must share bedrooms until age 16 if same sex and age 10 otherwise. There are limited arrangements for live-in carers but the following groups are affected: families with disabled children; disabled people including people living in adapted or specially designed properties (who may struggle to find other adapted accommodation); foster carers because foster children are not counted as part of the household for benefit purposes; there is no space allowance for children who visit but do not live with a parent (e.g. children of separated or divorced parents) or other relatives or friends who may visit. Retired persons of state pension age are exempt from this "bedroom tax".[29] The Coalition government's estimates indicate that 670,000 social tenants are "under-occupying" but while 180,000 tenants are "under-occupying" two bedroom homes, there were only 68,230 one-bedroom homes available for rent in 2010-11
- People aged under 35 years can claim housing benefit for just one room rather than a whole property, forcing many people out of their current accommodation and likely to lead to an increase in slum housing conditions in the private rented sector (where rents continue to rise above the rate of inflation)
- New tenants will not have permanent secure tenancies, but fixed-term tenancies, which may force families to move out and change their children's home and school.[30]

Pensioner reforms

- State retirement pensions are protected to 2015 under the Conservative's "triple lock" election manifesto commitment, which ensures pensions rise by the same percentage as wages or the consumer price index or 2.5%, whichever is higher. They are the only benefits protected in this way. Winter fuel allowance, free bus passes and TV licence subsidies for pensioners were protected. But

[28] Fawcett Society (2012) The impact of austerity on women, *Policy Briefing,* March: 34, accessed at http://fawcettsociety.org.uk/documents/

[29] National Housing Federation (2013) *Bedroom Tax*, accessed at www.housing.org.uk/policy/welfare_reform/'under-occupation'_penalty.aspx

[30] Oxfam (2012) The perfect storm: economic stagnation, the rising cost of living, public spending cuts and the impact on UK poverty, *Oxfam Briefing paper*, June, p32 accessed at http://policy-practice.oxfam.org.uk/publications/the-perfect-storm-economic-stagnation-the-rising-cost-of-living-public-spending-228591

- State pension age for men and women will rise to age 66 by 2020 and to 68 in 2044-2046. The measures combined will raise £5bn a year. In November 2011 the Chancellor brought forward to 2026-2028, the rise to age 67, which is a particularly rapid and steep loss in pension income for women who are in their 40s or 50s
- Reform of public sector pensions to raise £1.8bn by 2015, with employees to contribute more for less.

More cuts to come

Since the CSR three year programme announced in 2010, additional cuts have been announced in 2011 and 2012. There are too many cuts to list in this fiche. There is no central tally being kept by any group, although The Guardian newspaper local Cutswatch[31] site has asked readers to contribute to their on-line maps of the impact at local level as has False Economy[32], funded by the trades unions.

In October 2012 the government indicated that it would propose legislation that would allow it to take a further £10b of welfare cuts. The measures in this Autumn statement were negative for the bottom 50% of the population by income deciles, and by a long way the biggest losers were those in the lowest two deciles[33]. One element of the changes is capping the uprating of working-age benefits at 1% pa until 2016. These benefits include Jobseeker's Allowance; Employment and Support Allowance; Income Support; some elements of Housing Benefit; Maternity Allowance; Sick Pay, Maternity Pay, Paternity Pay, Adoption Pay; Couple and Lone Parent elements of Working Tax Credits and the child element of the Child Tax Credit. In January 2013, Members of Parliament voted in favour of the cap. The proposal is now in the Lords. Without this cap, benefits would have risen by 2.2% in April 2013 (a measure of price inflation). Government says it is fair because they have also capped public sector pay rises at 1% and because pay rises have not kept pace with price inflation since 2007, but welfare benefits have been uprated by inflation. However, this takes no account of the absolute income provided by working age benefits – for example, job-seekers' allowance is only about 11% of average income.

Conceptual basis for the cuts in welfare: the Social Justice Strategy[34]

The main change in emphasis is that behaviour modification rather than income transfers are seen as the key means to tackle poverty. There is an emphasis on early year's intervention to promote social mobility and combat child poverty by intervening in adult behaviour. This includes tougher conditionality for working-age adults to re-emphasise work as not only the route out of poverty but the route out of moral turpitude and into social acceptability.

Rather than common national provision, the Localism Act of 2011[35] enforced a switch to local service provision, which can be geographically differentiated and privatised, rather than provided through the local municipality.

The concept of poverty is essentially about a narrow group of people with multiple and complex problems. For adults, these include re-offending, drug addiction, mental health issues, and 120,000 'troubled families'. The focus is on worklessness despite four million adults in working families who are in relative poverty. There was a public consultation

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[31] See http://www.guardian.co.uk/society/cutswatch

[32] See http://falseeconomy.org.uk/about

[33] Hood, A. Johnson, P. and Joyce, R. (2013) The Effects of the Welfare Benefits Up-rating Bill, *Institute of Fiscal Studies*, January, accessed at http://www.ifs.org.uk/publications/6539

[34] See http://www.dwp.gov.uk/policy/social-justice/

[35] Department for Communities and Local Government (2011*) A plain English guide to the Localism Act,* November, Department for Communities and Local Government, London, accessed at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5959/1896534.pdf

in autumn 2012, entitled “What is poverty?” and one on redefining child poverty, which closed in February 2013. The consultation documents reflect the Coalition’s rejection of the concept of relative poverty and adoption of a focus on risky behaviour.

The Conservative Coalition partner’s concept of social justice has no income distributional dimension. The concept of social justice and fairness is predicated on a class of taxpayers who are bending under the weight of supporting a class of feckless permanently idle, morally deficient individuals who must be forced to take every opportunity to be redeemed through work and punishment. This is not a war on poverty; it is a war on the poor, working and unwaged.

Overarching reform – the Welfare Reform Act[36]

The Welfare Reform Act became law in March 2012. The Act introduced changes and cuts to employment, disability and housing benefits and child maintenance benefits. It also provides for the establishment of a Social Mobility and Child Poverty Commission. The title indicates a shift in ambition away from lifting a cohort of children out of poverty, instead focusing on opportunities for individual children to rise out poverty through changing their social status.

Based on a Coalition government White Paper of November 2010, Universal Credit is the key change of the March 2012 Welfare Reform Act.

Universal Credit[37]

The Universal Credit payments system (national launch October 2013) encompasses the Coalition Government’s proposals for reforming welfare to improve work incentives, simplify the benefits system and tackle administrative complexity.

It is designed to provide a single payment replacing six main working-age benefits available to low income employed and unemployed people. It integrates most benefits and the tax system using real-time data and is meant to increase flexibility in the benefits system, making it easier to take up paid work, even if for few hours or short-term, and to smooth transitions into and out of paid work. It is also meant to “make work pay” by reducing the taper rate[38] from the 90p in the £1 that faces many current welfare benefit recipients. Under Universal Credit some low-income families will be worse off in work than on benefits, especially when contribution to Council Tax (the local municipal tax) which low income families did not pay before the CSR cuts), is added to the taper rate of the benefits which are rolled up into Universal Credit. Indeed, many of the government’s benefit changes from the CSR onwards have damaged the work incentives that Universal Credit was meant to enhance, increasing taper rates and reducing incentives for second earners.

There are likely to be great practical difficulties with the IT system – the BACs bank payment system will have to cater for millions more households and pay and status change much more frequently at the low-paid end of the labour market. The Labour

[36] See http://services.parliament.uk/bills/2010-11/welfarereform.html
[37] See http://www.dwp.gov.uk/policy/welfare-reform/universal-credit/
[38] The taper rate is the rate at which state benefits are withdrawn as other income (usually wage income) increases

opposition party recently claimed the IT development was "in meltdown" [39] and in November 2012 the Chartered institute of Housing claimed 400,000 poor people will be worse off than before.[40] There are also proposals to deal with people only on-line, preferably monthly, despite some poor and disadvantaged people not having access to computers, or impairments that make on-line or telephone contact difficult. It will also be difficult to budget small incomes over a month and if the payment is delayed, because it rolls up the six main benefits into a single payment, many households will be left with no income at all. In practice too, the introduction of a single benefit, integrated with the tax system, will very often mean a shift from benefits (such as child benefit) that were paid directly to mothers, to a single sum paid to male partners.[41]

Institutional reform of Active Labour Market Policy

The Work Programme[42]

Launched in 2011, the key labour market policy in England is the Work Programme, which aims to put most of the different categories of working age beneficiary into one programme and one working age benefit.

The key changes under the Coalition government are:

- Mainstreaming contracting out of programme delivery to for-profit companies, who are all but one of the nineteen "prime" contractors getting the regionalised contracts for back to-work-services and who are paid by results. Thus getting unemployed people into paid work has been contracted out to giant multinational multi-service firms such as G4S and Serco, which also have government contracts in security, defence, prisons, education and health. NGOs and social enterprises are mainly involved as sub-contractors
- Much tougher conditionality – including loss of some or all benefit for extended periods
- A new approach to deciding who is fit to work which means many people being moved into a lower benefit category
- A media brainwash focused on fraud (0.25% of disability claims, but the government includes the much larger error rate – including their own errors), an image of working-age unemployed and disabled people as paid work "refuseniks" and a focus on extreme cases in terms of behaviour and size of income from state benefits.

Those of working age considered fit to work receive Job-Seekers' Allowance (JSA). Since 2008, introduced by the previous Labour government, the Employment and Support Allowance (ESA) is a single benefit for those deemed unfit for work on grounds of incapacity. JSA is £71 per week, but to recognise the costs of disability, ESA for those deemed capable of some

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[39] Wintour, P. (2013) Universal credit benefits system 'in meltdown', claims Labour, *The Guardian*, March 5, accessed at http://www.guardian.co.uk/politics/2013/mar/05/universal-credits-meltdown-claims-labour

[40] Lister, S. Taylor, B. and Davies, A. (2012) Making work pay: Universal credit & low income working households: A report and recommendations November 2012, *Chartered Institute of Housing*, accessed at http://www.cih.co.uk/resources/PDF/Policy%20free%20download%20pdfs/Making%20work%20pay%20report%20November%202012.pdf

[41] See comments reported at http://www.telegraph.co.uk/news/politics/9531622/Iain-Duncan-Smith-told-millions-will-struggle-to-claim-universal-credit.html

[42] See http://www.dwp.gov.uk/policy/welfare-reform/the-work-programme/

work-related activity is £99.15. Those in the "support" group of ESA, deemed incapable of any work-related activity, can receive a maximum of £105.05.

The Work Programme prime contractors have been given a "black box" right to design their back-to-work support as they wish, and are paid a signing on fee and two further fees according to results by category of claimant and duration of their employment. *Mandatory Work Activity* is essentially workfare (work for benefits) and the Coalition government increased the previous government's four week term to a period of up to six months – or even three years in extreme circumstances. *Mandatory Work-Related Activity* mainly makes people undertake various job search or job-focused activity.

On average, there are 5.6 unemployed people for every vacancy.[43] There are many more job seekers in poorer areas and for less skilled jobs; vacancies include part-time and short-term jobs.

Despite the lack of jobs, there are step increases in conditionality and sanctions. People are sanctioned (*reduction or removal of benefits for not meeting mandated conditions*) for non-attendance at Job Centre meetings (even if they have not gone because of sickness or because they cannot afford the bus fare) and job interviews they have been mandated to attend, even if the job is unsuited to their skills or qualifications or caring responsibilities.[44] Single mothers of five-year-old children must seek work, despite lack of good affordable childcare, especially for hours that fit employers' requirements – e.g. staying later when required at short notice, working different shifts each week, etc. Part-time workers – including women who are "second earners" in their low income households, must seek additional hours of work or face financial penalties. Rates of "sanctioning" have rapidly increased. Despite little change in the numbers of registered unemployed, there were 139,000 sanctions to Jobseeker's Allowance claimants in 2009 and 508,000 in 2011, the Coalition's first full year in government.[45]

"Forced labour" was a subject of press discussion when some unemployed people were bussed down from the north of England to work for free at the Olympic venues as "work experience" and some were left to sleep under a bridge. Public outrage and the consequent withdrawal from providing places on the scheme by some large retailers meant the government made changes to its unpaid work experience scheme. But unpaid and very low paid "work experience" remains. For example, in London there is a European Social Fund (ESF) scheme in which 6000 18-24 year olds, who have contributed to the tax system for fewer than six months, must undertake three months unpaid work experience as a condition of claiming the under-25s Job Seekers' Allowance of £57 per week. The former Employment Minister (now Secretary of State for Justice) said "the usual suspects will say 'slave labour'. They always do. But they are the people who believe that young claimants have the right to sit at home playing computer games".[46]

There is concern about the extent of deadweight (would have got a job anyway) and substitution (got a job instead of someone else in the labour market queue) in the payments-by-results contracts. For example, churning young people through labour market schemes

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[43] (0xfam (2012) (ibid) p37
[44] Oxfam (2012) (ibid) p28
[45] Corporate Watch (2012) *The punishing reality of the coalition's welfare reforms*, July 1 accessed at http://www.corporatewatch.org/?lid=4371
[46] See http://conservativehome.blogs.com/thetorydiary/2012/08/chris-grayling-announces-london-wide-scheme-to-end-something-for-nothing-benefits-culture.html

that keep them out of effective job search and job matching activity actually reduces their chances of getting and keeping paid work.[47]

The Work Capability Assessment to determine who is fit for work or work related activity is contracted out by the Department for Work and Pensions to Atos Healthcare, a for-profit company. To be entitled to ESA, the claimant must achieve fifteen points in an assessment. (To qualify for the "support group" which requires no work-related activity, there is a single description and no points system). The Assessments focus on what people can do, rather than what they cannot do, which seems right in principle. But Atos has no trained mental health staff and government has given Atos targets for getting people out of the higher benefit categories. People may be considered fit for work or work-related activity (and have been) with terminal illness, or while in receipt of some cancer treatments, or if permanently severely disabled. The mainly computerised and visual tick-box assessment has focused on mobility at a moment in time, e.g. if you can move a short distance from A to B, whether on sticks or in a wheelchair, or if able to press a button with one finger. Failure to achieve fifteen points results in loss of the higher disability payment and transfer to JSA and much tougher conditionality. In mid-September 2012, following powerful pressure from the NGO Macmillan Cancer Care, the government "u-turned" on forcing cancer patients receiving treatment to be considered fit for work. But there is no concession for other debilitating conditions.

The Assessment and its implementation has been widely criticised by disability organisations, the liberal national press and also by the House of Commons Public Accounts Committee. Around 40% of claimants have appealed and 38% of them have won their appeals. Appellants are twice as likely to win their appeals if they have professional help and government has cut funding to advice agencies. In May 2012, GPs (general practitioners, i.e. doctors mainly practising in the community, outside hospitals) voted unanimously at their annual conference in favour of scrapping the Work Capability Assessment.[48]
The National Council for Voluntary Organisations (NCVO) surveyed its members who are Work Programme sub-contractors and found they were carrying a great deal of the contract risk.[49] Referral rates are low, flow of clients is not guaranteed and sub-contractors are subsidising prime contractors due to the nature of the contracts. Many respondents thought contracts were unsustainable due to poor funding terms, the payments-by-results model for which they cannot carry sufficient working capital and a difficult labour market. Some smaller NGO sub-contractors are in severe financial difficulty and some have closed, yet the Work Programme model was "sold" to the sector as part of the shift from the centralised over-mighty state to the "Big Society" in which NGOs would have a core role.

Seventy large NGOs wrote to the Secretary of State at the Department for Work and Pensions about the problems of these employment reforms in a recession. The increase in indebtedness and the absolute poverty that can result do not make it easier to seek or find work. At the same time as more people are seeking help there have been severe cuts to local and national funding for advice and support centres.

Research by the Centre for Economic and Social Inclusion (CESI) found that the Work Programme is failing. Only 31,000 job outcome payments were made in its first full year of operation, June 2011-July 2012. This is just 3.5% of referrals across all participant groups. CESI estimated that this is 56% lower than DWP's minimum performance level (MPL) when

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[47] Duffy, K. & Jones, S. (2009) Developing well targeted tools for the active inclusion of vulnerable people, Brussels, peer review in social protection and social exclusion, *stakeholder EAPN*, November, see http://www.peer-review-social-inclusion.eu/

[48] Poverty Alliance (2012) Employment and Support Allowance *Briefing 18*, September: pp 4-5,8 accessed at http://povertyalliance.org/news_pubs/briefings

[49] Winyard, P. (2012) *The Work Programme: perceptions and experience of the voluntary sector*, London, NCVO September

commissioning the programme and significantly worse than the predecessor "New Deals" programmes. [50]

Department for Communities and Local Government

Budget cuts

In 2010, the Department for Communities and Local Government had an annual budget of £33.6bn. For the Communities element, current spending was cut 51% and capital spending was cut 74%. Local government authorities (cities, towns, boroughs and counties) received a 27% cut in current spending, front-loaded, over three years. Capital spending was cut by 100%. The impact has been severe cuts in, and loss of, services in non-statutory (not a legal duty) social services and for support to the voluntary and community sector service provision.

Funding for social housing was cut by more than 60%, with new tenants having to pay higher rents, known as "affordable rents". Adults aged below 35, rather than the previous age of 25, are allowed to claim only for one room in a shared house, rather than their own one-bedroom flat. The Coalition has said it will deliver 150,000 new "affordable" homes over three years, which is not on target, but the homelessness charity, Shelter has said that even this number is only one third of what is needed. They claim there are over one million children living in overcrowded housing and 1.8m households on waiting lists for housing.[51]

The 2010 CSR announced an extra £2b for social care for the elderly, disabled and children. But the money is not ring-fenced and the National Society for the Prevention of Cruelty to Children estimated that children's social care spending in England will fall by 24% in 2011-12 compared with 2010-11.[52]

The Social Fund provided crisis loans to poor people (it used to be grants). It has been cut by 10% and devolved to local authorities along with flexibility to decide who gets it and in what form. Many local authorities are thinking of offering in-kind rather than cash benefits, for example food vouchers, as there will be more need and a smaller pot of money and they have no effective way to collect back the loans.

The local government cuts are not evenly spread. The lowest budget cuts are for the City of London (which is the financial sector of London, run by its own corporation) and the wealthy, leafy, "shire" (countryside) counties, mainly in the south of England. The highest cuts are in the north of England and the cities. This is due to: higher proportions of public sector workers; more working-age people; more people in need and changes in funding formulas. These areas also have low voting turn out (voting is not compulsory in the UK) or vote Labour.[53]

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[50] Centre for Economic and Social Inclusion (2012) *Work Programme performance statistics: Inclusion analysis Updated release: additional analysis*, November 27 accessed at http://stats.cesi.org.uk/website_documents/initial_WP_Performance_InclusionComment.pdf

[51] Shelter (2010) Comprehensive spending review briefing, accessed at http://england.shelter.org.uk/__data/assets/pdf_file/0010/297604/Shelter_briefing_spending_review_Oct10.pdf

[52] Chartered Institute of Public Finance and Accountancy (CIPFA) on behalf of the National Society for the Prevention of Cruelty to Children (NSPCC) (2011) *Smart cuts? Spending on children's social care*, November, accessed at http://www.nspcc.org.uk/Inform/research/findings/smart_cuts_pdf_wdf85752.pdf

[53] Dorling, D. and Thomas, B. (2011) Mapping inequalities in Britain, *Sociology Review*, vol. 21, no. 1, pp 15-9

Institutional Reform – The Localism Act[54]

"The time has come to disperse power more widely in Britain today." (*Th*e Prime Minister and the Deputy Prime Minister, Coalition Agreement, May 2010).[55]

Rather than specific powers defined by legislation, the Localism Act gave local authorities a general power of competence to act as long as it is inside the law, but it does not remove any of the local authorities' duties. In effect, it makes it easier for local authorities to outsource services, at the extreme to become a service commissioner or purchaser rather than a provider. Despite its promotion as a decentralising change, it also gave the Secretary of State more powers to decide what local authorities can and cannot do, to intervene in their activities and to overrule local authorities' planning decisions. The Act also removed the central Standards Board, made scrutiny more flexible and removed "pre-determination" rules that tightly controlled councillors' capacity to publicly take sides in local applications and disputes. It also introduced the option of elected mayors but few cities have taken up the opportunity as local councils are already elected.

Regional bodies and strategies were abolished, replaced with less well funded local partnerships that do not have a perspective or powers on regional needs and plans.

The Localism Act also introduced "Community Right to Challenge" and "Community Right to Bid". These give local groups the power to challenge for the right to run services in place of the local authority and to bid to buy assets of community value. However, the Act also enables for-profit firms to bid or to back community bids and there is concern that many poor communities will not be able to raise the finance or support to get or manage assets or services, without engaging with for-profit firms, introducing commercial considerations and lack of transparency in what were publicly run and accountable services.

Finally, the Act abolished national rules on eligibility for social housing and gave local authorities the right to decide who is eligible. It also introduced fixed-term tenancies for new tenants of social housing (minimum of two years). There is a risk of certain disfavoured groups becoming homeless or of social dumping by some local authorities on others. This is already happening with the dispersal of asylum seekers from London boroughs to the regions, without even the need to notify local authorities in the receiving area. There is also a risk that people thought to "under-occupy" their social housing – for example because their children are grown up, will be forced to leave their social housing.

Department for Education

Budget cuts

The education and health current budgets were relatively protected in the 2010 settlement. The main pressure has been to pave the way for privatised systems. However, there is pressure to remove ring-fencing of education and health.

For education, (annual budget £57.6b), current spending was cut by 3.4% but capital spending on school buildings was cut 60%. One of the Coalition government's first acts was to cancel the previous government's Building Schools for the Future programme, which financed the refurbishing and rebuilding of schools, leaving many areas with old, badly built and badly maintained buildings unfit for modern (and warm and dry) education.

[54] See http://www.communities.gov.uk/publications/localgovernment/localismplainenglishupdate
[55] Quoted in the forward to Department for Communities and Local Government (2001) *A plain English guide to the Localism Act*, London, Department for Communities and Local Government, November

The government removed state funding from most undergraduate university tuition and introduced amongst the highest university tuition fees in the world, up to £9000 per year in England, therefore £27,000 for a three year undergraduate degree, plus accommodation and living expenses, which doubles that cost. While the very poorest are given bursaries that cover some of the costs, and fees are not repaid until students begin working life (paid back over 25 years) there is concern that low-income parents and their children will fear taking on this level for debt. Applications to English universities fell 10% in 2012 – the first fall. Education is a devolved matter and applications to Scottish and Welsh universities, where fees are still around £3000 a year or lower, have not fallen.

Because direct funding for schools in England was protected while local government received heavy cuts, school-related services provided by local authorities, such as centralised administration, specialist support, school place planning and after-school clubs, have had their funding cut by many local authorities. It has been left to the choice of individual schools to decide whether to take over funding services that have been withdrawn, or to let them close. For example, the cuts in local authority budgets have affected the financial viability of breakfast and after-school clubs, which are important for disadvantaged children. Leicester City Council has decided to cease funding after-school clubs from December 2012, but hopes schools in disadvantaged areas will at least carry on funding breakfast clubs.

The Sure Start budget of £1b a year was introduced by the last Labour government to support pre-school children, especially disadvantaged children. The budget was protected by the Coalition in cash terms, but not ring-fenced. It is administered by local authorities, so in practice Sure Start Children's Centres have been cut, merged and some closed, equivalent to £100 per child cuts in poor areas and £30 per child cuts in rich areas. A survey by the families' charity 4Children and the Daycare Trust suggested 250 Sure Start centres would close (7%), 2,000 would provide a reduced service (56%) and 3,100 would have a smaller budget (86%).[56] There has been an exodus of qualified staff and their replacement, if at all, with untrained staff. The Coalition government received evidence the money was poorly targeted and there is no evidence yet that it improves outcomes for poor children. However, it took two decades for the USA Headstart programme to demonstrate results.

New education reforms (see below) also allow primary schools to charge for pre-school education of more than fifteen hours a week.

The Coalition government also abolished the education maintenance allowance which paid a subsidy of £30 per week to poor teenagers to continue at school after the official leaving age of sixteen (the leaving age will be eighteen by 2015, but with no apparent penalties if children just drift away from school). Many local authorities have cut free school bus travel for poor 16-18 year olds. The number of sixteen-year-olds staying on at school has fallen for the first time and the percentage of young people not in employment, education or training has risen by 8%.[57] Amid all the cuts, the government found money to provide Christian bibles for every school.

A positive development instigated by the Liberal Coalition partner is the £2.5bn "pupil premium" for additional teaching services for disadvantaged pupils. It worked out at £450 per child and has risen to £600 for 2012-13. Eligible children are those entitled to Free School Meals (therefore from very low income families). The money is given directly to schools but

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[56] Daycare Trust (2011) *250 Sure Start children's centres face closure within a year*, January 28, accessed at http://www.daycaretrust.org.uk/pages/250-sure-start-childrens-centres-face-closure-within-a-year.html

[57] Brindle, D. (2012) Charities with a concience are in a fix. *The Guardian,* July 4 accessed at http://www.guardian.co.uk/society/2012/jul/03/charities-with-conscience-funding-fix

there are few restrictions on its use and the total value of this premium goes nowhere near compensating for the education cuts that affect poor children.[58] An inspection in autumn 2012 by Ofsted, the government's schools standards' agency, found that although there was some very good practice, many schools could not show they had spent the money effectively and made a difference to educational attainment of poor children.[59]

Institutional reform – The Education Act 2011[60]

According to an OECD study in 2009, 23% of British school education spending goes on the 7% of pupils who are privately educated.[61] For the other 93%, the Education Acts of 2010-2012 constitute a revolution in the English state school system.
The main purpose of the reforms is to open school provision to organisations and for-profit firms, often to create chains of schools (for economies of scale and for profit). The Coalition government has stated that this competitive environment will raise education standards, although the evidence for the USA and Sweden does not appear to support them. There are two risks already evident – that the reforms greatly reduce local democracy and accountability, and that poor children especially living in poor areas get less good education and less spent on their overall education than other pupils in the maintained (i.e. state-financed) school system.

The government has offered significant financial incentives to encourage maintained (i.e. state) schools to leave their local authority and become independent "academies" directly under the control of the Secretary of State for Education. Academies do not have to offer the state curriculum, meet regulations on school nutrition, building regulations or provision of playing fields. Democratic accountability is reduced, due to lack of local authority oversight and reduced requirements for boards of school governors. Academies are also not scrutinised on their policy or scale of exclusions from school, giving them more scope to exclude disadvantaged and troubled children. Academies do not have to meet targets for proportions of disadvantaged or low achieving pupils, often proxied by the numbers of pupils eligible for Free School Meals. In fact academies have lower proportions of children on Free School Meals, concentrating poor children in the remaining state schools and reinforcing a two-tier system.

Half of secondary education schools are now academies. Each school that leaves costs the local authority £100,000 in government grants, leaving it increasingly unable to provide collective services – in administration, specialist teaching etc., for remaining schools and unable to organise allocation of places and plan for population change. Many local authorities have decided to cease to be local education authorities.

"Parental choice" and education standards are the main justifications for the policy direction. But many working class and poor people cannot exercise choice that requires paying for private education or for a more expensive home in an area with "good state schools", or transport to "good schools", or for additional home tuition or for extracurricular school activities.

The reforms have been roundly condemned by teachers' unions and many schools and parents' groups and the Campaign for State Education.[62] The 2011 Act contains a wide range

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[58] BBC 2010 (ibid)

[59] Ofsted (2013) *The Pupil Premium: how schools are spending the funding successfully to maximise achievement,* February 11, accessed at http://www.ofsted.gov.uk/resources/pupil-premium-how-schools-are-spending-funding-successfully-maximise-achievement

[60] See http://www.legislation.gov.uk/ukpga/2011/21/contents/enacted

[61] Reay, D. (2012): *Think piece: what would a socially just education system look like?* CLASS, p6, accessed at http://classonline.org.uk/docs/2012_Diane_Reay_-_a_socially_just_education_system.pdf

of measures of which the General Secretary of the National Union of Teachers (NUT, the largest teaching union) said “This Bill rides roughshod over the premise of a democratically accountable education system. It will see the rights of parents and pupils vastly reduced and it is a backward step for society”.[63]

According to the teaching union NASUWT,[64] “the Education Act 2011 will accelerate the process of handing over state schools to private interests and enable schools to be run for profit. It will permit charging for access to education and give fifty additional powers to the Secretary of State.” The NASUWT state that “The Act marks a massive centralisation of power into the hands of the Secretary of State.”

While opponents have not been able to roll back the Education Act, there has been, in the words of the Secretary of State for Education, one reform that was “a bridge too far”. On September 17th 2012 the Coalition government announced it had decided to end the GCSE school certificate taken at age sixteen by all pupils in England (education is a devolved matter) and introduce a new English Baccalaureate in 2015. This was to be exam-based (no coursework or continuous assessment in most subjects), much tougher, in a narrower range of subjects and if failed, may be taken again at age seventeen or eighteen. Children who failed would leave school with absolutely no qualifications, but with a written record of their achievement. Since then there has been something of a “u-turn” due to overwhelming criticism both of the content and the timescale, from educationalists, schools and parents and the Baccalaureate plans have been abandoned, for the present.[65]

Department of Health

“Safe in our hands?”

The annual health budget in 2010 was £106.4bn. The Conservative Prime Minister, when Opposition leader, said to his 2006 party conference that the NHS was “safe in our hands.”[66]
The budget for the NHS in England will rise by 0.4% over four years. Current spending was increased by 1.3%, much lower than the then rate of inflation, which is anyway always higher in the health service given an ageing population, new treatments and the high proportion of total costs taken by staff costs. Capital spending was cut by 17% and the government wants £20bn in efficiency and productivity savings by 2015.[67] Essentially there is a freeze on NHS spending in England from 2010/11 to 2014/14 –the tightest four-year NHS budget for fifty years.

The NHS had received real terms increases for several years before the crisis and after the austerity cuts will still have a bigger share of GDP than before the financial crisis. But because NHS spending was 23% of all public spending in 2010-11, relative protection from cuts means bigger cuts in other budgets to meet the government’s deficit targets.[68] In February 2013, the Secretaries of State for Defence and the Home Office (justice, police, home affairs, migration)

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[62] See http://www.campaignforstateeducation.org.uk/CASEnotes46%20April%202012.pdf
[63] Quoted by Christine Blower, General Secretary of the National Union of Teachers accessed at http://www.teachers.org.uk/node/12378
[64] NASUWT (2011) *The Education Act 2011; information for parents*, p4, accessed at http://www.nasuwt.org.uk/consum/groups/public/@journalist/documents/nas_download/nasuwt_008854.pdf
[65] Robinson, N. (2013) Planned switch from GCSEs to Baccalaureate in England 'abandoned', *BBC News,* February 7, accessed at http://www.bbc.co.uk/news/uk-21363396
[66] BBC News accessed at http://news.bbc.co.uk/1/hi/uk_politics/5403798.stm
[67] BBC 2010 (ibid)
[68] Institute for Fiscal Studies (2012*) NHS budget squeeze could run for a decade*, IFS press release, July, accessed at http://www.ifs.org.uk/publications/6229

are resisting further cuts to their budgets and are supported by many in the Conservative party who would prefer further cuts to social/ welfare budgets and an end to "ring-fencing" of health and education budgets.

In comparison to education, clinicians have had more success in defending their sector than have teachers. Examples in the section below on the new Health and Social Care framework include changes to the powers of Monitor (the competition enforcer) and to the powers of GPs on decisions regarding contracting out of services.

Reconfiguration of health services

Even the current settlement has meant real cuts to certain health sectors because the health service is being completely reconfigured and enormous resources are being absorbed in management and consultancy costs of change.

There are "knock-on" effects of reconfiguration for the hospitals' sector. For example, the restructuring of front-line services in favour of community-based services and the rationing of patients' access to certain drugs and elective (routine) surgery on the NHS, has affected hospital viability and young doctors' skills. Routine surgery is "cherry-picked" by private providers who can offer quicker access to treatment (NHS patients can choose provider) (see below), but complex cases and post-operative problems are then dealt with by the NHS.

Hospital financial problems are compounded by the private finance initiative (PFI) introduced by the former Labour government, which is a very expensive way of building hospitals with private money, which are then leased back to the NHS for, say, 25 years, making it very difficult for some hospitals to contribute to the government's requirement that the hospital sector cut its cost base by £7b; they cannot change their leasing terms so must take money out of services and staffing. NHS hospitals are forecasting real terms cuts in funding of more than eight per cent over the next three years. Therefore despite the commitment to protect frontline services, the Royal College of Nursing is predicting that 40,000 nursing posts (10%) will be lost in the UK over the next three years.[69]

Numbers of patients requiring care will not fall, as most NHS beds are taken up by elderly patients in the last two years of their lives. Monitor (the newly established enforcer of competition rather than co-operation between hospitals and other providers) is becoming concerned about quality of care as hospitals try to treat the same number of patients on falling incomes.[70] Clinicians and support staff in the NHS are very concerned about service fragmentation arising from the promotion of competition.

Institutional reform - the Health and Social Care Act[71]

The UK National Health Service (NHS) is the world's fifth biggest employer, with 1.7m workers. The Health and Social Care Act 2012 is the biggest revolution in the NHS since its foundation. The Act was not a part of the Coalition agreement for government, but once in government a bill was introduced, halted until after the May 2011 local elections to "listen," then reintroduced, becoming law on 27 March 2012.

[69] Centre for Mental Health, Mental Health Foundation, Mind & Rethink Mental Illness (2012) *The Mental Health Strategy, system reforms and spending pressures: what do we know so far?,* January 16, Accessed at http://www.mentalhealth.org.uk/content/assets/PDF/publications/mental_health_strategy_what_do_we_know_so_far.pdf?view=Standard

[70] Gainsbury S. and Stacey, K. (2012) Hospitals face funding cuts as NHS feels pressure, *Financial Times*, August 22 accessed at http://www.ft.com/cms/s/0/4962035a-ec3b-11e1-81f4-00144feab49a.html#axzz28vx3KJnU

[71] See http://www.dh.gov.uk/health/2012/06/act-explained

The new law allows "any willing provider" to offer services. Not-for-profit organisations can bid, but just as in the employment integration Work Programme, which was the test-bed for large scale contracting in the welfare and social sector, NGOs and most other not-for-profits cannot bid on the scale required as direct service providers. Although the health reforms are still in progress, contracts of as much as £500m each have been awarded already to multinational multiservice companies for outsourced provision of health services. In his 2012 party conference speech, the Shadow Health Secretary Andy Burnham announced that £250m of contracts for 400 NHS services had been signed in one week at the end of September. In early 2013 another £750m of services are opened to competition.[72] It is essentially the launch of wholesale privatisation and there is strong concern amongst health professionals about fragmentation of care pathways.

Power to commission and allocate health resources is taken away from public authorities and given to GPs in about 200 "clinical commissioning groups", responsible for £60-80b of commissioning of health services. Evidence has already emerged that GPs are not in fact leading these groups. Since GPs have very limited contract management experience they are likely to contract out administration to private providers.

Section 75 of the new regulations was especially contentious as it put pressure on GPs to promote contracting out of services to the private sector. After widespread lobbying from GPs and other clinicians, the Health Minister is modifying Section 75 to give GPs some limited powers to influence contracting out of services.

But amongst other changes for patients, GP groups are given financial incentives not to refer people for hospital treatment. They can keep part of the saving. Hospitals can now retain 49% of beds for paying customers and GP rationing of access to treatment will encourage those who can to pay to jump the queue for treatment.

There is now a market in healthcare because as well as new powers to sell NHS beds to private patients, for the last several years hospitals have been able to buy beds in the private sector for NHS patients. The aim was to reduce waiting lists for operations (a key metric for the former Labour government). For example, 65% of admissions at Ramsay UK, a private firm with 22 UK hospitals, are NHS patients. In one year from March 2010 to June 2011, the private firm Circle healthcare took 30% of knee, hip and ankle operations from a local hospital in the city of Bath, cutting the hospital's share from 71% to 41%.[73]

A BBC poll found that only 12% of 814 GPs they surveyed agreed (and 55% disagreed) that putting GP-led groups in charge of the budget would mean patients saw a "noticeable" improvement in their care, compared to 23% in September 2010. 83% of responding GPs said there would be an increase in rationing in their area. 87% of the GPs agreed the changes set out in the health bill would lead to private companies having a bigger role in the NHS.[74]

Funding care and tackling the interface between health and social care

Even before austerity cuts, funding and services for adult social care were in crisis due to demographic ageing and higher rates of mental health problems. But adult social care is the

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[72] Ramesh, R. (2012) Hundreds of contracts signed in "biggest ever act of NHS privatisation", *The Guardian*, October 3 accessed at http://www.guardian.co.uk/society/2012/oct/03/private-contracts-signed-nhs-privatisation

[73] RAMESH, R. (2012) NHS TRUSTS ARE ENMESHED IN PRIVATE PROVISION – AS BUYERS AND SUPPLIERS, *THE GUARDIAN*, DECEMBER 18, ACCESSED AT HTTP://WWW.GUARDIAN.CO.UK/SOCIETY/2012/DEC/18/NHS-TRUSTS-ENMESHED-PRIVATE-PROVISION

[74] Jeffreys, B. (2012) NHS reforms, *GPs losing faith, BBC poll suggests*, BBC News, April 4, accessed at http://www.bbc.co.uk/news/health-17604351

responsibility of the Department for Communities and Local Government despite the clear need to integrate delivery of health and social care.

The 2012 White Paper on adult social care and support has been criticised for not addressing the role of social work and for not dealing with funding adequately. The Association of Directors of Adult Social Care (ADASS) said that their survey had shown that they had already made savings given reduced local authority funding. They had found 80% of the cut from service redesign and efficiency but 20% “had required service reductions” therefore they could not do more without further damage to already very stretched and frayed services. They complained that the White Paper had not addressed fundamental solutions on funding, but that the Department for Communities had made it a priority to provide money to reintroduce weekly residential waste bin collections (from fortnightly). [75]

Eligibility for council-funded services for those living at home or who need to enter residential care (about 1/5 elderly people), has been progressively tightened so that only the most infirm receive any help at home and council funding does not fully cover costs of residential care; who gets what is a “post-code lottery”. For example, any older person who goes into a care home who has assets over £23,250 must pay the full costs of care, which usually means selling their home to pay costs of £400-£800 a week, depending on whether they receive “social” or “nursing” care. The government had established the Dilnot Commission on funding and support; it published its report on July 4 2011 and recommended new funding mechanisms and a cap on an individual’s contributions.[76] The Dilnot Report’s recommendations are not being implemented because of fears over costs. A less reforming package has been announced[77] which will result in most people still having to pay the full cost of their care. The proposed “cap” is regressive on incomes as the cap will mean some people using all of their savings/ selling their house to pay for care but for rich people it may be a small proportion of their total assets reinforcing the social divide between the wealth descending to their children compared to those who had to sell their homes. For those with no assets to pay for care, the choice of publicly funded residential care will be very limited.

[75] ADASS (2012) *Social Care White Paper 'takes important steps towards a better future but stumbles over finance'* July 11, accessed at http://www.adass.org.uk/index.php?option=com_content&view=article&id=826&Itemid=470

[76] See The King’s Fund (2011) The Dilnot Commission on social care Briefing, July 13, accessed at http://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/briefing-dilnot-commission-social-care-jul11.pdf

[77] Department of Health (2013) *New funding reforms announced for care and support*, February 11, accessed at http://www.dh.gov.uk/health/2013/02/funding-socialcare/

PART 2
THE SOCIAL IMPACT OF THE CRISIS

Part 2 of this fiche focuses on current trends in inequality and poverty and their effects. It then considers who is most hit and whether the poor and disadvantaged will gain if growth returns.

Income inequality – a driver of the crisis?

Rising inequality

Between 1998-9 and 2008-9, 40% of income growth in the UK went to the richest 10% of people and the proportion of GDP going to wages continued to decline.[78] The poorest 10% of UK people get 1% of UK income, but the richest 10% get 31%.[79]

Yet the Bank of England (BoE) has admitted that the richest 5% of households have gained most from Quantitative Easing (pushing money into the economy) due to the rising value of their assets. The value of shares and bonds has increased 26% since 2009 and 40% of the gains went to the top 5% of households. Savers and those on fixed incomes (e.g. private pensioners) have suffered from low interest rates. Annuity rates (what a pension pot will buy) have fallen 24% since March 2008. But the BoE has argued that all sections of society have gained from QE's role in avoiding an economic slump.[80]

Falling incomes and rising inequality pre-date the crisis and are probably an underlying cause of it. The UK is now one of the most unequal rich countries in the world and the UK and USA have income inequality not seen since the 1920s. UK inequality rose rapidly after 1980 and caught up with the USA in 2008. The Gini coefficient rose from 26 in 1979 to 40 in 2009. Rising inequality after 1980 was common throughout Europe, but policy does matter. The UK and Sweden once had had similar degrees of income inequality but the tax policies Sweden implemented before 1980 caused a sharp fall in inequality between 1980 and 2000, after which Swedish inequality began to rise again, but from a much lower base.[81]

Social mobility - stuck

Along with increasing inequality has come higher relative poverty; in 1979 one in seven children were poor (on the 60% of median household income measure), today one in three children are poor.

A person born poor in the UK is more likely to stay poor than in other northern European countries. In their book "the Spirit Level" Wilkinson and Pickett showed that more equal countries have more social mobility and Scandinavian countries have 30% to 60% better social mobility than the UK. In April 2011, the Institute for Fiscal Studies said that "it is likely to be hard to increase social mobility without tackling inequality."[82]

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[78] Oxfam (2012) (ibid) p3

[79] Oxfam (2012) *Briefing paper: The perfect storm: economic stagnation, the rising cost of living, public spending cuts and the impact on UK poverty,* June, 13

[80] Elliott, L. (2012c) Richest 5% gained most from QE, admits Bank. *The Guardian,* 24 August.

[81] The Equality Trust (2011) ibid p4

[82] The Equality Trust *Factsheet on Social Mobility,* accessed at http://www.equalitytrust.org.uk/resources/publications

High pay – driving income inequality

The share of wages in national output has fallen from 65% in 1976 to 54% in 2012 (but had reached this share before the end of the 1990s).[83] Wages lagged behind productivity from 1980 to 2008. The decline in wage share has mirrored the decline in trades union membership and power and increased globalisation of trade.

The smaller share going to wages is increasingly concentrated amongst the better paid. In 1985 the highest paid 10% got eight times the income of the lowest paid 10%; by 2008 (at the start of the crisis) it was twelve times higher.[84] The bottom 50% of households had incomes below £20,000 p.a. after tax, the bottom 10% received less than £7,000 p.a.

The rise in inequality has been driven by the top 1% of incomes, which are under-represented in surveys, so actual inequality may be 10 percentage points higher than recorded.[85] The High Pay Commission[86] reported that the pay of top directors has increased 8000% since 1978 but median pay has risen just 556%. The gap between Chief Executive Officer (CEO) and employee pay doubled between 1999 and 2009.[87] In 2010 CEO average remuneration was 408 times the National Minimum Wage and 219 times UK median earnings.[88] Directors' rewards are detached from performance. In the last 10 years FTSE directors' pay rose 187%, but share prices rose just 71%. In fact there is no statistically significant relationship between FTSE 100 chief executives' pay and company performance.

Recent indications are that the top 0.1% is pulling away even more and that this group is comprised of financial sector managers. The world's top ten "hedge fund" managers "earned" between $825m and $4b each in 2009.[89]

In an increasingly privatised workforce, workers' wages, pensions and conditions have deteriorated, but for-profit companies with large public service contracts pay their executives much more than the highest paid public sector employee. For example, Serco gets 90% of its business from the public sector (half of it from the UK) and in 2010 its CEO got £3.15m, which was six times more than the highest paid UK public servant and eleven times the highest paid head of a local authority.[90]

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[83] Touchstone extras (undated) *Unfair to middling: how middle income Britain's shrinking wages fuelled the crash and threaten recovery,* pp 6-7, accessed at http://www.tuc.org.uk/extras/unfairtomiddling.pdf

[84] My Fair London (2012) (ibid) p6

[85] The Equality Trust (2011) Quintiles; the lives of the other four-fifths, *Research Digest 3*:1,5 accessed at http://www.equalitytrust.org.uk/resources/publications

[86] The High Pay Commission (2012) *Final Report*: *Cheques and balances: why tackling high pay is in the national interest*, the High Pay Commission, accessed at http://highpaycommission.co.uk/wp-content/uploads/2011/11/HPC_final_report_WEB.pdf

[87] One Society (2012) A third of one per cent: the pay of low paid workers compared to that of their CEOs; the gulf between employees' pay and chief executives' pay and the adverse impacts on UK plc, p5 accessed at http://www.onesociety.org.uk/research/pay-ratios/

[88] One Society (2012) (ibid)

[89] Anderson, R. (2011) Masters of the Universe: meet the world's best paid men, *BBC News Business*, February 2, accessed at http://www.bbc.co.uk/news/business-11942117

[90] One Society (2012) (ibid) p4

Low pay – getting worse

According to the Resolution Foundation[91] 21% of UK workers are low paid – one of the highest rates in the rich countries. The share of low paid work in all work has grown for thirty years – it reflects globalisation, technical change and UK policy choices.

Low pay is found in all occupations, but is concentrated in Elementary Occupations such as cleaners, security guards, catering assistants and leisure workers and in sales and customer service.

Proportionately more women are low paid than men. But while the proportion of low paid women fell sharply in the 1970s (by 15%) and then eroded in the later years, low paid male work rose from 10% of all male workers in the 1970s to 16% in 2011. 87% of all low paid workers are in permanent employment; 43% are full-time employees and about one in seven low paid workers remains trapped in it between age 31 and age 50.

People of Bangladeshi and Pakistani origin have the lowest employment rates and the highest likelihood of low pay – on average, between 2008 and 2010, almost half of them earned less than £7 per hour, compared to fewer than a quarter of Indian, Black Caribbean and White British people.[92]

While in 2011 rates of pay for all company chief executives averaged 15%, pay for waiting staff fell 11.2% and cleaning staff 3.4%.[93]

The minimum wage rose in 2012 from £6.08 to £6.19 per hour for those aged over 25 years. The youth rate was held constant at £4.98 (aged 18-20) and £3.68 (16-17 year olds). Apprentice wages rose five pence to £2.65 per hour. The minimum wage is lower in real terms than eight years ago.

The "living wage" is independently worked out as a subsistence income that would meet basic needs. It is estimated currently as £8.55 per hour in London and £7.45 in other parts of the country.[94]

Falling real wages

Between 1996 and 2003, real wages at the median grew 1.6% p.a. But from about 2003 to 2008 they flat-lined, then from the Great Recession of 2008, wages started falling by 0.3% p.a. Real wage trajectories are worst for the poorest workers. Gregg and Machin's data for the Resolution Foundation showed that while wage growth slowed or stopped from around 2003, real wages fell for the bottom 10%, flat-lined for median earners and for the top 10% continued to rise, but more slowly, until about 2008.[95]

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[91] Pennycoock, M. & Whittaker, M. (2012) *Low pay in Britain in 2012*, The Resolution Foundation, September 4

[92] See the Poverty Site, Low pay by ethnicity, accessed at http://www.poverty.org.uk/55/index.shtml

[93] Oxfam (2012) (ibid) p20

[94] JRF (2012) *New Living Wage rate for UK announced by Julia Unwin, chief executive of Joseph Rowntree Foundation*, November 5, accessed at http://www.jrf.org.uk/media-centre/living-wage . See also Pennycoock, M. (2012), *What price a living wage? Understanding the impact of a living wage on firm-level pay bills,* May, IPPR and Resolution Foundation, accessed at http://www.resolutionfoundation.org/media/media/downloads/Final_What_Price_a_Living_Wage_1.pdf

[95] Gregg, P. and Machin, S. (2012) *What a drag: the chilling impact of unemployment on real wages,* Resolution Foundation, September 4, accessed at http://www.resolutionfoundation.org/publications/

The economy started to weaken again in 2011 and average earnings fell 4.4%, but rose 49% for directors of FTSE 100 (the 100 largest companies). According to the Resolution Foundation, this earnings fall is the biggest since the 1970s and half the population have had no wage rise since 2003. Average earnings growth in February 2012 was 1.2%, against inflation of 3.4% on the Consumer Price Index (CPI), itself below the Retail Price Index (RPI). CPI in February 2013 was 2.8% and is expected to rise further.

Poverty and deprivation

Relative poverty and absolute poverty

The UK is the 6th richest country in the world but more than 20% of the population live in *relative income poverty*. Relative poverty rates began to increase rapidly in the Thatcher era (the Thatcher Conservative government was in power from 1979 to 1990, followed by the Major Conservative government until 1997). Poverty rose from 7.8m people in 1982 to 13.4m by 1990. In a paper examining poverty cross-nationally and historically, Dorling and Pritchard concluded that the UK's poverty has been generated by the same forces for 150 years. Poverty and inequality are inextricably linked because of the huge cost of maintaining an asset-rich elite and the power this gives them.[96]

Women, children, black and minority ethnic groups are more at risk than white men, especially "prime age" white men. 40% of minority ethnic households live in poverty, compared to 20% of white households.97 Research by Nandi and Pltt showed that women of all ethnic groups have lower individual incomes than men in the same group. The highest female poverty rate is 50%, for women of Pakistani and Bangladeshi origin. These ethnic groups also have the biggest gender gap in individual incomes and are overall the poorest groups in the UK. Children of Chinese origin have the lowest rates of material deprivation and children of Bangladeshi and Pakistani origin have the highest rates; they also have a very high risk of being persistently in poverty. Black Caribbean and Black African children have a lower risk of persistent poverty but higher than that of Indian and White children. 98

Poverty reduction in the period of the last Labour government was largely concentrated in their first term of office, from 1997 to 2005. Due to the 2008 recession and then the 2010 Coalition government's three-year CSR targeting of cuts on the poorest, *absolute income poverty* (poverty on a fixed standard) is rising. But because median incomes are forecast to fall by a larger percentage than the lowest incomes, *relative income poverty* will fall. Real median income is forecast to be 7% lower in 2012-2013 than in 2009-2010 and to remain below its 2009 level till 2015-2016 or beyond.[99]

Material deprivation is widespread. The NGO funder, the Joseph Rowntree Foundation, says the cost of achieving a Minimum Income Standard (based on a survey of what the public thinks are the basic requirements of life), has risen 43% in the last 20 years. General prices have risen just 27% in the same period because the inflation rate is higher for the major

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[96] Dorling, D. and Pritchard, J. (2010) The geography of poverty, inequality and wealth in the UK and abroad: because enough is never enough, *Applied Spatial Analysis vol. 3*, p 104

[97] Oxfam (2012) *Briefing paper: The perfect storm: economic stagnation, the rising cost of living, public spending cuts and the impact on UK poverty,* June, pp 2, 12, 13.

[98] Government Equalities Office (2010) Ethnic minority women's poverty and economic well being, *Research Findings no. 2010 / 6* accessed at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85527/ethnic-women-poverty-summary.pdf

[99] Brewer, M., Browne, J. and Joyce, R. (2011) Child and working age poverty from 2010 to 2020, *IFS Commentary CI21* p31, Institute for Fiscal Studies and Joseph Rowntree Foundation, accessed at http://www.ifs.org.uk/comms/comm121.pdf

things that the poor buy.[100] There is increasing recourse to high interest debt (as much as several 1000%), including a massive expansion of short-term "payday" loans with annualised interest rates that can reach many millions % (The UK has no controls on maximum interest rates).

In a June 2012 survey for the NGO Save the Children, 40% of poor families had avoided paying bills compared to 11% of "not poor" families. 40% of modest income families had also borrowed to pay bills and 58% of them "struggled to stay afloat".[101]

More than 20% of UK households (at least 5.5m households) are affected by fuel poverty. Fuel bills are increased sometimes several times a year. The autumn 2012 announcements were of another 8%-9% on gas prices, just in time to be applied to winter bills. In the UK, cold causes several thousand additional deaths each winter and dual fuel (gas plus electricity) bills are expected to rise 50% between 2011 and 2015.[102]

Food and fuel are a much higher proportion of spending by low income households than by others. Because poor people do not have access to the cheapest deals on utilities and banking there is a "poverty premium" estimated at £1,170 per year.[103] For example, many poor people have pre-payment electricity and gas meter cards which are most expensive per unit of fuel; Leicester City Council is considering banning these cards from use in social housing, but poor people need to be able to buy small amounts at each purchase.

Coping mechanisms since the crisis demonstrate absolute poverty. Food prices have risen 30.5% in the last five years but the minimum wage has risen by only 12.1%.[104] There is a massive expansion of food banks. UK food banks saw a doubling of the number of food parcel recipients between 2011 and 2012 from 61,468 to 128,697 people. They fed 45,898 children in twelve months. The largest food bank provider is the Trussell Trust NGO; it is opening two new food banks every week. All those who received emergency food were referred by frontline care professionals. The single biggest reason that people were referred was benefit delay (29%), followed by low income (19%). Other reasons for referrals include delayed wages, domestic violence, sickness, unemployment, debt, benefit changes, refused crisis loans, homelessness and absence of Free School Meals during school holidays.[105]

Poverty is also unevenly distributed inter-and-intra-regionally and locally. The South-East is the richest region, especially the "home counties" surrounding London, although inner London contains some of the most deprived boroughs (local government areas) in the UK, as well as the richest. The relative poverty rate in inner London is 32%. Compared to the South-East, Northern English regions are relatively poor and Merseyside in the North-West has been eligible for EU Objective 2 funding. The poverty rate in Wales is 23%, but the Scottish poverty rate is 19%, compared to 18% in the South-East, although Scotland's average income is lower.[106] It should be noted that Scotland's devolved government has stronger anti-poverty policies than UK government.

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[100] Oxfam (2012) (ibid) p4
[101] Whitham, G. (2012) *Child poverty in 2012: it shouldn't happen here,* Save the Children, p3, accessed at http://www.savethechildren.org.uk/uk-child-poverty
[102] Oxfam (2012) (ibid) p22
[103] Oxfam (2012) (ibid) p3
[104] Oxfam (2012) (ibid) pp3,17
[105] Network Foodbank (2012) UK *foodbanks double number of people fed in one year*, Trussell Trust Press release, April 26, accessed at http://www.trusselltrust.org/resources/documents/
[106] Oxfam (2012)(ibid) p13

In-work poverty

Although unemployment is the biggest risk of poverty for working-age people, having a job is decreasingly a route out of poverty. Today, more working-age adults in poverty live in working households than in "workless" households.[107] 61% of children in poverty have working parents, compared to 45% in the mid-1990s.[108] Cash support for childcare has been cut and the average second earner (usually the female partner) keeps just 32% of her earnings after childcare costs, compared to an OECD average of 48%.[109]

Employment

The UK has not met the Europe 2020 target of 75% employment rate. Although employment rates are lower than before the crisis, they have been rising. The employment rate rose in 2012 compared to 2011 – to 71% in the second quarter (April-June 2012) and to 71.5% for the fourth quarter (October-December 2012). In the second quarter the male working age employment rate was 76.3% and the female rate was 65.8%.[110]

There is great regional disparity - employment is rising in the rich South-East, but falling (and unemployment rising) in the devolved regions (Scotland, Wales, Northern Ireland), and the poorer English regions such as the West Midlands and parts of the North of England, increasing the "north-south" regional divide. However, the poorer London boroughs (local authorities) have some of the lowest employment rates and highest unemployment rates in the UK.

The workforce is ageing. In the ten years to December 2012, people aged over fifty have risen from 23.9% to 28.9% of total employment. The proportion aged over sixty-five years who are in work doubled in the same period. The proportion of young people in employment has fallen and this is only partially accounted for by increases in the numbers in education.[111]

Increased flexible working and risks of insecurity and precarity

Self-employment has increased and the self-employed have less favourable access to state benefits and retirement pensions. Self-employment rose rapidly in the 1980s from a long-term stable 7% of the workforce to 13.4% by 1992, mainly due to high unemployment and other policy developments in the period of Thatcher government.[112] Although self-employment fell during the Labour government long boom, by 2011 it had risen to 14.2% or 4.14.m people. 25% of these worked in construction. The largest percentage (30%), are skilled trades people - "white van man", but they account for almost none of the recent growth in self-employment in the recession. Most of the new self-employed are administrative and secretarial workers, and "low skilled" workers in personal services or elementary occupations, doing "handymen" jobs, many of whom may be considered disguised unemployed. Self-employed people have much weaker access to welfare benefits, though the government has recently improved access to state pensions for the self-employed.

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[107] Oxfam (2012) (ibid) p13
[108] Whitham (2012) (ibid) p11
[109] Oxfam (2012) (ibid) p25
[110] ONS (2012) Labour Market Statistics, *Statistical Bulletin*, August 2012 and ONS theme labour market accessed at http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Labour+Market
[111] Hardie, M. and Perry, F. (2013) *Economic Review February 2013*, London, ONS, March 7
[112] Philpott, J. (2012) The rise in self employment, CIPD, January, accessed at http://www.cipd.co.uk/binaries/5757WorkAudit2012WEB.pdf

There are 4.2m *part-time workers*. Since the start of the crisis recession, 830,000 full-time permanent jobs have been lost and 500,000 new part-time jobs created. Full time employment dropped sharply during the recession years of 2008 and 2009. The ONS explained this as firms shifting to more flexible working using part-time labour. But part-time working has been trending up most of the time since 2006. Women remain the great majority of part-time workers. But over ten years until December 2012, the proportion of men working part-time has risen 50% (i.e. by 734,000 men) while the proportion of women has risen only 10% (by 430,000 women). Since the recession, the majority of additional part-time jobs have been taken by men; the ONS says that this suggests an "involuntary element" – men forced to take part-time work because they cannot find full-time work. 1.4m part-time workers are "*underemployed*" and would like to work more hours. Underemployment has been rising since 2004, but especially in 2008 and 2009, and especially for men.[113] Periods of underemployment/ involuntary part-time work reduce skills' acquisition (part-timers are much less likely to be offered training), opportunities for promotion and rates of pension accrual, increasing risks of poverty.

41% of *temporary workers* are low paid and there are two million "*vulnerable*" workers in precarious, low-paid and insecure employment.[114] By increasing flexibility in the benefits system, the new Universal Credit payments system is intended to make it easier for people to leave welfare benefits to take up short-term, part-time and low-paid work. Therefore more people will be at risk of being vulnerable workers, with unstable employment, low incomes and little or no employment protection, slipping between poverty in work and poverty on benefits.

The UK has the third lowest *employment protection* legislation in the OECD, weaker labour rights' protection than in Greece, Turkey and Mexico. Despite, or perhaps enabled by this, the Ford motor company in the UK has about half its workers on *fixed contracts*, making it easier to dismiss them. The UK also has the highest number of *zero-hours* contracts.[115] *Contracting-out* to the private sector of public services is now happening very rapidly and this is already having a chilling effect on wages and conditions.

Government deregulation of "red tape" has introduced a fee of £1200 (about 10% of gross annual minimum wage) for taking employers to legal tribunals, abolished legal aid for all employment advice, increased the employment period for unfair dismissal to two years and reduced the maximum payout for unfair dismissal. The Coalition government commissioned a controversial report on employment law from Sir Adrian Beecroft,[116] a venture capitalist and owner of a large percentage of the payday loan company "Wonga". Amongst the recommendations, the report suggested that employers should be able to dismiss with a pay-off workers they don't like or want, without legal cause (redundancy is always a legal cause). A version of this has been proposed by the Conservative Coalition partner – that employees give up their employment rights voluntarily in return for company shares.

Globalisation of worker sourcing and business operations are reducing wages and conditions. Exploitation especially of migrant workers is increasing. A recent raid by the London borough of Newham and the UK Border Agency on some of the hundreds of small fried chicken retail outlets found most were violating health and safety regulations and paying below the minimum wage – in one case, £1 per hour. In some cases the migrant workers were

[113] Hardie, M. and Perry, F. (2013) *Economic Review February 2013*, London, ONS, March 7
[114] Oxfam (2012) (ibid) p39
[115] Oxfam (2012) (ibid) p5. Zero-hours contracts are those where potential workers can be called to work as and when an employer wants them, but no work is guaranteed
[116] Beecroft, A. (2011), *Report on employment law*, London, Department for Business, Innovation and Skills, October 24, accessed at http://www.bis.gov.uk/assets/biscore/employment-matters/docs/r/12-825-report-on-employment-law-beecroft.pdf

undocumented, and often workers are living in cramped conditions at the back of the shop. A local authority is not entitled to investigate minimum wage violations, they are found as a side result of health and safety and illegal immigration raids.[117] However, the government has recently announced that it plans that small retailers will be exempt from much health and safety regulation.

It has been shown recently that large companies like the family dominated Vestey and multinationals such as Google, Amazon and Starbuck's pay very little corporation tax on profits in the UK, instead using transfer pricing and fees to shift profits to lower tax domains, while paying low wages to distribution and retail workers in the UK. An example is Carnival, the largest cruise line in the world with half the total market. It has its UK headquarters in London, but it has its registered office in the Bahamas – offering its ships a "flag of convenience." Its payroll office is in the tax-haven of Guernsey, off the coast of England. Together these arrangements enable the company to avoid much employment-related and health and safety regulation, reduce its labour and tax bills and avoid unionisation of the workforce.[118]

The squeeze affecting low-to-middle income households

The Resolution Foundation defines the "squeezed middle" as those who are in paid work but below middle income - households with an average annual income of £20,500 after tax. They are 5.2m households, 2.8m of them with children and they are 31% of working-age households. 63% of them own their own homes. In 1991 it took this group four years to save a deposit for a house mortgage. In 2001 it took eight years, in 2011 it took twenty-two years. They now spend 40% of their income on "essentials"- housing, food, fuel and transport, compared to 26% for higher income groups. 35% of them don't find much difficulty in paying bills but 59% of them are keeping up with bills, but struggling to do it. 26% of these households struggle to repair or replace broken electrical goods. 67% of them have less than one months' net income as savings. In 2009-10, 65% of these households had no, or frozen occupational or personal pensions for retirement. Low-to-middle income families have experienced real wage declines plus the loss of tax credits from the austerity budgets. Their disposable income will not regain its 2008 level until 2021, even with strong economic growth that includes strong growth in incomes – a phenomenon which has not occurred in the 21c UK. [119]

In 2012, the trades union "Unison" surveyed the effects of austerity on its members.[120] 71% of respondents were women, one third were local government workers, 28% from education, 20% from healthcare, 15% police and 6% voluntary and community sector. One-third of respondents were administrative and clerical workers and one-third professional and technical workers. These are employed people, often modestly paid, but not poorly paid. 61% of them did not receive any state benefits, though those who did had experienced cuts – for example in child benefit or educational maintenance allowance for children. Despite the fact

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[117] Gentleman, A. (2012) Cheap meat and tales of exploitation behind the chicken shop counter, June 29, accessed at http://www.guardian.co.uk/business/2012/jun/29/chicken-shop-raids

[118] Topham, G. (2012) P&O celebrates 175 years amid waves of discontent over ousted Indian crew. *The Guardian,* July 1, accessed at http://www.guardian.co.uk/business/2012/jul/01/arcadia-cruise-ship-indian-crew 11

[119] Resolution Foundation (2012 undated) *Essential guide to squeezed Britain: the annual audit of low to middle income households*, accessed at http://www.resolutionfoundation.org/media/media/downloads/Squeezed_Britain.pdf

[120] Working Lives Research Institute (2012) *The impact of austerity on UNISON members: a report for UNISON*, June, accessed at http://www.unison.org.uk/file/UNISON%20Impact%20of%20Austerity%20on%20Members%202012%20FINAL.pdf

that 88% are home-owners and mortgage rates are low, household budgets are feeling the effects of rising prices, salary squeeze and service cuts. 73% did not get a pay increase in 2012 and half of those due for a promotion increment to salary did not get it. 12% had a pay cut. 60% of the respondents' partners earned less than £25,000 per year. 47% said their household income had decreased in the last year. They were affected by caring responsibilities and 60% of those with adults to care for had no contribution to household income from them. 88% had cut spending on social activities and 81% on personal items. 73% had cut spending on food shopping.

Out-of-work poverty

Unemployment

Unemployment is below the EU average, but historically high. The average level of unemployment since 1979 is three times the two post war decades. In 2012, there were 2.56m people unemployed (8%) on the ILO definition (down 46,000 from the previous quarter), but only 1.59m claiming Job-Seekers' Allowance – the benefit for the registered unemployed. There were 9.1m economically inactive people of working age, (i.e. aged 16-64), down 117,000 on the quarter.[121] Austerity cuts to public services have reduced public sector employment by 4.3% in the last year but almost 80% of cuts are still to come.[122] The unemployment rate has been falling slowly and in February 2013 was 7.8%. Falling unemployment rates have been used to argue that there should be no change to austerity policies[123] although there are only 420,000 registered vacancies for the 2.56m unemployed. At the end of February unemployment showed a small upturn.

Youth unemployment (age 16-24) is much higher than overall unemployment. In the second quarter of 2012 it was 21.5%, i.e., above one million, a little down on the first quarter. Young people are likely to be poorer than their parents – as a student collective in California said "we work and we borrow in order to work and to borrow". It seems that the rich west cannot deliver sufficient high value jobs to employ its educated workforce. Mason argued that young people are becoming more entrepreneurial, developing business ideas because "you have to make the future yourself"... living in the cracks left by shrinking GDP".[124]

Unemployment was falling till 2013 despite low or no growth: the economy grew by a maximum of 0.2% in 2012 and in the last quarter returned to recession, risking a "triple-dip". As well, the employment rate is rising though well below its previous peak. There are various explanations put forward for this puzzle. Some argue that the economy must be growing more strongly than data show and expect the data will be revised upwards. Some point to the impact of the Work Programme, which churns many people through training schemes and unpaid work experience, taking them out of the unemployment figures. Yet others argue that falls in migration and increases in emigration have held down unemployment rates. Annual inflows of migrants are between 500,000 and 600,000, but *net migration* into the UK (inflows minus outflows) fell from 252,000 in 2010 to 215,000 in 2011 and 183,000 in March 2012 (provisional data). This was due to a fall in inflows and a rise in outflows and in 2011 more of these were to a "definite job" abroad. Migration into the UK by EU citizens peaked at an

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[121] ONS (2012) (ibid)
[122] Oxfam (2012) (ibid) p26
[123] Hannan, D. (2013) The unemployment figures pulverise any remaining argument for stimulus spending, *The Telegraph*, updated February 20, accessed at http://blogs.telegraph.co.uk/news/danielhannan/100203646/these-latest-unemployment-figures-destroy-any-remaining-case-for-stimulus-spending/
[124] Mason, P. (2012) The Graduate without a future, *The Guardian* July 1, accessed at http://www.guardian.co.uk/commentisfree/2012/jul/01/graduates-2012-survive-in-cracks-economy

annual rate of 200,000 in 2008; rates have been stable since 2010 at about 169,000 per year. Out-migration of EU citizens has been similarly stable at about 92,000 a year.[125]

Some economists argue that employers are retaining workers in a context of falling real wages and an increase in poor conditions of work – this would also explain lower productivity. Gregg and Machin do not think there is much labour hoarding by employers, though they do believe falling real wages have had an impact. In the last decade, unemployment was at its lowest in 2005 (4.6%) and highest in 2011 (8.3%). Their model indicates that the sensitivity of real wage change to unemployment has increased in recent years. For the increase in unemployment we have had, in 2005, median earnings would have fallen by £1300 in 2011 prices; but today they fall £2,100. Gregg and Machin argue that real wage growth will not resume until unemployment falls below recession levels.[126]

Out-of-work benefits

State out-of-work benefits for working-age people have halved compared to 1980 – they have fallen from 20% to about 10% of average earnings.

One of the biggest recent changes to the benefit system has been the method of uprating. It is now done using the usually lower price inflation measure of CPI rather than the RPI. But before the introduction of uprating by any measure of price inflation, benefits had been linked to wage increases – as retirement pensions still are under the Conservative's "triple lock" election manifesto commitment. If unemployment benefits had continued to rise with earnings, Job Seekers' Allowance (the working-age benefit for registered unemployed people) would have been £123.69 in 2010/11 rather than £65.45.

But in the past four years, wages have been stagnant while benefits have been uprated by CPI inflation, which rose to 5% in 2011 (but has now fallen to 2.8%). In these years, if benefits had risen at the same rate as wages, Job-Seekers' Allowance in 2012 would have been just below £67 rather than its current £71.

Using the argument of "fairness" the Coalition is planning to uprate benefits for working-age families (including benefits for children) by a maximum of 1% pa until 2016 and then to link them to wages or prices, whichever is lower. It should be noted that 50% of people receiving benefits are in paid work and will experience lower wages and lower top-up benefits.

Over time, the delinking of wages from most welfare benefits will make benefits an increasingly residual amount.[127] The introduction of Universal Credit in 2013, with its lower taper rates than the previous system, will cut relative poverty, but the impact will be offset quickly due to using the CPI to uprate benefits. The forecast overall net effect of the Coalition reforms to benefits only, is that relative poverty in 2020 will be 200,000 higher for children and 300,000 for households without children. For adults without children, the cuts to housing allowances are responsible for half the total increase in poverty by 2015.[128]

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[125] ONS (2012) *Migration Statistics Quarterly Report, November 2012,* accessed at http://www.ons.gov.uk/ons/rel/migration1/migration-statistics-quarterly-report/november-2012/msqr.html#tab-2--Who-is-Migrating-to-and-from-the-UK, November

[126] Gregg, P. and Machin, S. (2012) (ibid) p2

[127] Oxfam (2012) (ibid) pp13, 27-28

[128] Brewer, M., Browne J. and Joyce R. (2011) Child and working age poverty from 2010 to 2020 *IFS Commentary C121*, London, Institute for Fiscal Studies, pp 24-25, 27, accessed at http://www.ifs.org.uk/comms/comm121.pdf

Child poverty

The Child Poverty Act of 2010 was the Coalition commitment, carried over from the previous Labour government, to cut relative poverty rates for children to 10% by 2020. The target is measured on an "incomes before housing costs" basis, which usually show poverty rates up to 10% lower than after housing costs. There are indicators of relative and absolute child poverty, material deprivation and persistent poverty, but the Coalition government will not report on the EU poverty target or indicators, stating that the only legal poverty target in the UK relates to the Child Poverty Act.

Child poverty had ceased to fall before the Great Recession. Between 1997, when it took office, and 2005, the Labour government made the most sustained reduction in child poverty in the post-war period, through a combination of tax and benefit reforms, health and education support, children's centres and women's employment support. But after 2005, there was little or no further improvement – a major reason for this was that tax credits – effectively subsidies to low wage employment, had achieved about all they could, without further very substantial state spending on incomes and services and better wages and employment. The rise in child poverty since 2005 has been especially concentrated in one-earner couples, whose incomes have fallen.[129]

The 2010 three-year CSR cuts have particularly hit children, with cuts in low income earners' tax credits including child tax credit, loss of child benefit for better-off families and massive cuts to children's services at local level. The Institute for Fiscal Studies has predicted levels of 'relative' and 'absolute' child poverty of 24% and 23% respectively by 2020/21 – compared to the target figures of 10% and 5%.[130] This was before the government cut its commitments on uprating of child tax credits.
Children with a disability have been especially badly hit. Support for parents of all but the most disabled children, currently provided through the disability element of child tax credit, is to be halved under the Universal Credit system to be introduced in 2013. This change could cost a family with a disabled child up to **£1366 per year**.[131]

There is no chance of meeting the legal Child Poverty target and the Coalition government is considering changing the measure of poverty. Presently, there are at least 3.5m children (20%) in the UK living in relative poverty. During the *current* Parliament (to 2015),this is expected to increase by 400,000,[132] which is the net effect of the "austerity" public spending cuts and the delayed introduction in October 2013 of the Universal Credit[133] reforms which should lift many poor families over the poverty line. Thus 2013 will see the biggest increase in child poverty, before the Universal Credit system takes effect, but three years after the CSR spending cuts were first announced. In 2013 alone, measured before housing costs, relative and absolute poverty will rise by 300,000 children and 100,000 working age adults with no dependent children.[134]

The chances of individual poor children escaping poverty are declining because social mobility has slowed in the past thirty years; it is now low by international standards.[135] But poor

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[129] Brewer, M., Browne, J. and Joyce, R. (2011) (ibid) p8
[130] Unicef Innocenti research centre (2012) Measuring child poverty: new league tables of child poverty in the world's rich countries, *Report Card 10,* UNICEF, accessed at http://www.unicef.org.uk/Documents/Publications/RC10-measuring-child-poverty.pdf#
[131] See http://www.family-action.org.uk/section.aspx?id=14225
[132] Whitham (2012) (ibid) p2
[133] As indicated earlier, in October 2013, Universal Credit will replace almost all means-tested benefit with a single, integrated benefit that will make it easier to move between work and benefits
[134] Brewer, M., Browne, J. and Joyce, R. (2011) (ibid) p24
[135] Oxfam (2012) (ibid) p14

children have lost much of the additional support to help combat the impact of poverty on their life chances. In a 2012 survey by Save the Children, 61% of parents in relative poverty said they have cut back on food and 26% have skipped meals in the past year. Teachers are reporting more children who cannot concentrate because they have not eaten. 19% of poor parents say their children go without new shoes when they need them, 14% go without a warm winter coat. 29% do not have friends to their house and 10% do not celebrate their birthday. Access to the internet is now essential in the UK for everything from cheaper tariffs for utilities and banking, claiming state benefits and doing school homework; but 24% of poor children do not have access at home to the internet.[136]

Children, especially poor children, are aware of family financial stress. In Save the Children's survey, 52% of poor children said their parents were unhappy or stressed about financial worries; 13% of poor children said they have stopped asking for anything because they know their parents cannot afford it. Parents in low-income families are twice as likely to separate "challenging the idea that it is separation that causes poverty and suggesting it is the other way round".[137]

Attitudes to unemployed and poor people

Attitudes to poor people have hardened over the years in the UK. The major British Social Attitudes survey asks people to choose between two statements about benefits for unemployed people: that they are "too low and cause hardship" or that they are "too high and discourage them from finding jobs". The proportion of people thinking unemployment benefits were too low peaked at 55% in 1993. By 2007 the proportion feeling that unemployment benefits were too low had fallen to 25%. Despite the halving over time of the real value of unemployment benefits and the financial crash and recession, the proportion who consider unemployment benefits too low has now shrunk further to 19 per cent. During the Thatcher recession in 1991, 58% agreed that "government should spend more on welfare benefits even if it leads to higher taxes" – in 2011 it was 28 per cent.[138]

A new report from the reformed churches in the UK uses official and NGO data to challenge six pernicious myths about poverty: 'They' are lazy and just don't want to work; 'They' are addicted to drink and drugs; 'They' are not really poor - they just don't manage their money properly; 'They' are on the fiddle; 'They' have an easy life on benefits; 'They' caused the deficit.[139]

Health and poverty

There are long-term inequalities in the UK in health access and outcomes by social class, gender, ethnic origin and geographical locality. Inequalities widened in the 1980s and were sustained in the 1990s. Two key reports – the Black report (1980) and the Acheson report (1988), increased evidence and awareness of these inequalities but public disagreement

[136] Whitham (2012) (ibid) pp 2, 9, 10
[137] Whitham (2012) (ibid) pp 6-7
[138] Park, A., Clery, E., Curtice, J., Phillips, M. and Utting, D. (eds.) (2012), *British Social Attitudes: the 29th Report*, London: NatCen Social Research, accessed at: www.bsa-29.natcen.ac.uk
[139] The Baptist Union of Great Britain, the Methodist Church, the Church of Scotland and the United Reformed Church (2013) *The lies we tell ourselves: ending comfortable myths about poverty: A report from the Baptist Union of Great Britain, the Methodist Church, the Church of Scotland and the United Reformed Church*, accessed at http://www.ekklesia.co.uk/files/truth_and_lies_report_final.pdf

remained about the relative importance of behavioural and structural causes of ill health, morbidity and mortality.[140]

Regional inequalities in life expectancy continued to widen in the 2000s and health inequality rose alongside rising income inequality.[141] Though their thesis remains controversial in some quarters, Wilkinson and Pickett demonstrated a strong link between income and wealth inequality in whole societies and the prevalence of poverty and social ills and ill-health.[142]

In England, premature deaths due to health inequalities lead to the loss of between 1.3m and 2.5m extra life years. In developed countries for which data are available, the UK scored second worst out of 12 for mental illness; 4th worst out of 23 for infant mortality; worst out of 22 for children's welfare and 7th worst out of 23 for life expectancy.[143]

There are very big geographical variations in health indicators, linked to poverty. For example there is a ten year difference in death rates by income and all four lifestyle risk behaviours (smoking, obesity etc.,) are more prevalent amongst poorer income people. However, the government has downgraded need/ deprivation in the geographical allocation of health and education resources.

The Marmot Review (2010) showed that health inequalities are socially determined and that to reduce the social gradient in health, action must be universal, but focused on tackling disadvantage.[144]

It is too soon to show the impact on health of continuing inequality, recession and austerity policies. But the period of the Great Recession has increased ill-health and stress. At the extreme, between 2008-2010, Barr et al[145] found in England 846 more suicides amongst men and 155 more amongst women than would have been expected based on historical trends. In 2008, suicides in England rose from a 20-year low, increasing 7% for men and 8% for women compared to the previous year. They estimated that each 10% increase in the number of unemployed men leads to a 1.4% increase in male suicide.

Housing

Home ownership is falling across the UK. In England 7.4m homes fail to meet the government's Decent Homes Standard,[146] By 2008, 1.77m households were on the social

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[140] Steinbach, R. (2009) *Health knowledge*, accessed at http://www.healthknowledge.org.uk/public-health-textbook/medical-sociology-policy-economics/4c-equality-equity-policy/inequalities-distribution

[141] Shaw, M., Davey Smith, G. and Dorling, D. (2005) Health inequalities and New Labour: how the promises compare with real progress, *British Medical Journal*, April 30; 330(7498): 1016–1021; accessed at http://www.ncbi.nlm.nih.gov/pmc/articles/PMC557156/

[142] Wilkinson, R. and Pickett, K. (2009) *The spirit level: why equality is better for everyone*, London, Allen Lane

[143] My Fair London in association with the Equality Trust (2012) *Why inequality matters*, CLASS, p8 http://classonline.org.uk/docs/Why_Inequality_Matters.pdf

[144] Marmot, M. (2010) *Fair Society, healthy lives: the Marmot Review Executive summary*, Strategic Review of health inequalities, February, p9 accessed at www.instituteofhealthequity.org

[145] Barr, B., Taylor-Robinson, D., Scott-Samual, A., McKee, D. and Stuckler, D. (2012) Suicides associated with the 2008-10 economic recession in England: time trend analysis, *British Medical Journal*, August 14, 345:e5142 doi: 1136/bmj.e5142

[146] Shelter (2010) *The housing crisis*, accessed at http://england.shelter.org.uk/campaigns/why_we_campaign/the_housing_crisis

housing waiting list and close to half a million households were officially defined as overcrowded. [147]

Since the financial crisis banks require deposits of around 30% of the purchase price before they will lend at reasonable interest rates to potential house purchasers. First time buyers in particular are being squeezed out of the market. Since 2007, home ownership has decreased from 71% to 65% and private landlords have increased their share of the housing stock by 42%. Households with mortgages are being supported through lower mortgage rates due to very low Bank of England interest rates, "quantitative easing" (increase in money supply) and the funding for lending scheme, but many households with mortgages are at risk of falling behind with payments if interest rates rise.

In 2012, UK house-building reached a record low of 98,280, an 11% fall over the previous year.[148] In the March 2013 budget, the Chancellor introduced for 2014 mortgage guarantees and interest deferred equity loans for the purchase of new housing. But there is concern that while these may help housing developers, the government money and guarantees may have more impact on house prices than stock of housing.

Homelessness is rising. Newly homeless households rose 18% in England between the last quarter of 2010 and 2011.[149] According to the government's figures, "rough sleeping" (street homelessness) rose 6% between 2011 and 2012.[150]

There are now more private renters than social housing tenants. Research by the NGO Shelter showed that from 1997 to 2007 rents rose 1.5 times faster than income and homes are now "unaffordable"[151] in 55% of local municipality areas in the UK. Average English rents are now 58% of the average income of the poorest 25% of the population. Renting privately is 17% more expensive monthly than having a mortgage. Not only are private sector rents high, the government's new Affordable Rent scheme means that social housing rents are being increased to 80% of market rents for similar housing.[152] Housing costs mean 28% of people have cut back on food and on fuel. [153]

At present 48% of claimants for Housing Benefit do not get sufficient benefit to pay their rent and have to find an average of £23 a week from their low incomes. Because low incomes make rents unaffordable for many families both in and out of paid work, in the three years to February 2012, Housing Benefit claims for those not in work rose 9.3% and doubled for those in work.[154] To reduce the costs, the welfare reform cuts have fallen heavily on housing support. The total Housing Benefits a family can receive are capped at £500 per week, regardless of family size, which mainly affects households in London, both working and

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[147] Townbee, P. (2012) Danny Boyle's heartwarming history is only a partial truth. *The Guardian,* July 31, p27

[148] Shelter (2013) *House building hits record low*, accessed at http://england.shelter.org.uk/news/february_2013/shelter_reveals_unaffordable_housing_costs, February

[149] Shelter (2012) *Homelessness figures up 18%,* July 4, accessed at http://england.shelter.org.uk/news/march_2012/homelessness_up_18

[150] Department for Communities and Local Government (2013), *Rough Sleeping Statistics England - Autumn 2012 Experimental Statistics*, accessed at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/73200/Rough_Sleeping_Statistics_England_-_Autumn_2012.pdf, February

[151] Defined as median private rent for a two-bedroom house which costs more than 35% of median take-home pay

[152] Oxfam (2012) (ibid) pp30-32

[153] Turffrey, B. (2010) *The human cost: how the lack of affordable housing impacts on all aspects of life*, London, Shelter, March, p9

[154] Oxfam (2012) (ibid) p5

unemployed because of high rents in an overheated housing market with many rich foreign buyers. These subsidised rents are paid to the landlord; they have not been received by the claimant families. But in future all but the most vulnerable families will receive the rent subsidy directly and will have to budget to pay the landlord, which the government believes will encourage personal responsibility, despite the risks for over-indebted families who may have insufficient money for basic needs.

Already families are facing eviction and are moving into overcrowded, often “bed and breakfast” (B&B) accommodation which means children are not able to get hot meals at “home”. Although illegal to keep families more than very short term in B&B, there was a 44% increase between 2011 and 2012 and more families are staying for longer.[155]
Families are being encouraged to move out of London to cheaper areas in the Midlands and the North, where there is less chance of work and where school places have to be found. For example Camden Council in London has written to about 700 households in its borough who have three children or more telling these families they won’t be able to afford to rent there or anywhere else in the south-east of England and they will have to move north. Other Councils are even buying housing in cheaper regions to ship out their poor families.

Social housing tenants also face a “bedroom tax”[156] – their rent support is reduced if they are considered to “under-occupy” a house. This includes disabled people in specially adapted accommodation, if they have a “spare” bedroom. The government estimates that 660,000 households will have their benefit cut, roughly a third of social sector claimants. Only those of working age will be affected As a typical example, in the city of Hull, 4,700 tenants are going to be affected by this penalty, but they have got only 73 one or two-bedroom properties still available to rent.

The government has cut 10% from the financial support for low income families to pay their Council Tax (a form of local tax) and have shifter responsibility for collecting the tax to local authorities. This means that many poor families will pay part of the tax for the first time, from their reduced welfare benefits. Many English local authorities expect big increases in rent arrears, which will cost more to chase up than the amount owed, reducing further local authorities’ incomes. The Welsh government has absorbed the cut itself and the Scottish government has shared the burden of the cut with local authorities, protecting low income families. [157]

Who has been hit hardest by the 2010 three-year CSR and the later budgets?

The Prime Minister said in June 2010 that “we are all in this together”[158] but the planned cuts/ tax rise ratio is the highest in Europe: more than 80:20 in favour of public spending cuts, with the heaviest burden on welfare spending cuts for working-age adults and families.
The total cuts announced in 2010 for the three-year period are only 20% implemented; the worst is yet to come; many of the spending cuts increase year-on-year and the budgets of

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[155] Brown, C. (2012) Figures show 44% rise in B&B use, *Inside housing.co.uk*, accessed at http://www.insidehousing.co.uk/ September 17

[156] National Housing Federation (2013) *Bedroom tax,* accessed at http://www.housing.org.uk/policy/welfare_reform/%E2%80%98under-occupation%E2%80%99_penalty.aspx, updated March 13

[157] BBC News (2013) *Millions of low-income households' face council tax rise,* accessed at http://www.bbc.co.uk/news/business-21264773, January 13

[158] Prime Minster David Cameron in a speech of 7 June 2010, see http://www.conservatives.com/News/Speeches/2010/06/David_Cameron_We_must_tackle_Britains_massive_deficit_and_growing_debt.aspx

2011 and 2012 introduced further cuts. The government has said it will take almost another £2b (2%) from the welfare budget in 2013. Combining the Autumn 2012 and March 2013 Budget statements an extra £11.5b will be taken out of the welfare budget.

Local authorities, which provide social services, have already had cuts of one-third to their budgets. The government has announced further cuts will take place and local authorities may have lost half their budget by 2015, as well as many powers over education and social services.

Impact of tax changes

Tax changes more advantageous for better-off households

A small increase in personal tax allowances in the autumn 2012 Budget meant that, net of inflation adjustment, families were about £82 year better off before the negative changes that will take from hundreds to many thousands of pounds per year out of family incomes for working-age people. For example, in April 2012, the government cut £3b from tax credits (income subsidies to low income workers).

In the March 2013 budget the increase in the personal allowance was brought forward from 2014 to 2013, but those on benefits and in low paid work who are too poor to pay any tax do not benefit.

The Budget also provided additional help for childcare in two ways. 600,000 families in low paid work and eligible for Universal Credit will get a larger subsidy towards their childcare costs. For other families in paid work, through tax rebates the government will contribute 20% to childcare costs for children aged under five years, but only where both parents are in paid work – including families with joint incomes of £300,000. Families where one parent stays at home are ineligible and poorer households are disadvantaged either because of their employment status or because they do not earn enough to get the full rebate. [159] The Resolution Foundation has calculated that only 160,000 of the bottom 40% of earners will qualify for help, but 1.7m in the top 40%.

Two-thirds of the tax-giveaways in the March 2013 budget went to the top half of the income distribution. The bottom five deciles were overall Budget losers, with the poorest 10% the greatest losers. The three deciles above the middle were small gainers and only the top 10% lost more than the bottom 10%. The Budget was widely believed to be targeted at voters in Conservative marginal seats for the next election

The most recent direct income tax cut was in the autumn 2012 Budget. The richest households got a cut from 50% to 45% in their marginal tax rate from April 2013. The previous Labour government had temporarily raised their marginal rate from 40% to 50%.
The only major tax rise for individuals was regressive: in January 2011 the Coalition raised the rate of value added tax on goods and services (VAT) from 17.5% to 20%. The defeated Labour government had cut the rate to 15% as an initial response to the crisis recession. The poorest 10% of people pay 10% of their income in VAT, compared to 5% for the richest 20%.[160]

Overall, taking income tax and VAT together, both the rich and the poor pay about 35% of their income in taxes so that the tax take from people in the UK is not progressive and taking expenditure cuts into account, the three-year CSR is extremely regressive.

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[159] March 2013 budget data taken from Budget 2013, *The Guardian*, available at guardfian.co.uk/budget
[160] Oxfam (2012) (ibid) pp 21-22

Businesses have had tax cuts. Corporation taxes were cut from 28% to 24% to come into force in April 2013 and 21% by 2014. Quoting Chancellor Osborne in the autumn 2012 Budget, this was "A headline rate that is not just lower than our competitors, but dramatically lower - 18% lower than the US, 16% lower than Japan, 12% below France and 8% below Germany.[161] In the March 2013 Budget a further cut reduced it to 20% by 2015.
Employer national insurance was cut in the March 2013 Budget as a measure to create jobs. But the 1% pay cap in the public sector continues to 2016 and defined benefit (mainly public sector) pension accrual rates were cut by removal of a contracting out (of the state second pension) rebate of 5.8%, raising £5b for the Treasury. Overall the budget is neutral on aggregate demand so it is difficult to see where the jobs will come from.

Impact of expenditure cuts

Poorest households and most disadvantaged groups are the biggest losers

The CSR cuts are not fairly distributed. The poorest 20% of households will lose 6% a year of their income every year from 2011-2014.[162] The poorest 10% have been hit *thirteen* times harder than the richest 10%. The service spending cuts are equivalent to 20% of the incomes of the poorest 10%, – before cash benefit cuts and tax rises are taken into account.

According to the Child Poverty Action Group (CPAG), a baby born in 2012 to a low income family will be £1,500 a year worse off than its brother or sister who was born in 2010.[163] Under current government policies, child poverty is projected to rise to 4.2 million children living in poverty by 2020.

In the March 2013 Budget the Coalition government thoroughly broke the link between welfare spending and need, introducing a cap on total welfare benefits for the next CSR 2013-2016, called Actively Managed Expenditure (AME). More claimants in a category will mean less for each claimant or fewer potential claimants eligible.

Women hit harder than men

A striking impact of the CSR cuts was that 72% of the benefit cuts will be borne by poor women. Women are twice as likely as men (30% compared to 15%) to rely on state benefits for at least three-quarters of their income and the House of Commons Library showed that both the Coalition government's initial 2010 Emergency budget and the 2010 CSR fell twice as heavily on women.[164] The Women's Budget Group estimated that for the June 2010 Coalition Budget alone, changes to direct taxes and benefits took £5.7bn (two-thirds) from women compared to £2.7bn from men.[165]

Women were also hit harder by service cuts – for example in support for care of the elderly and in Sure Start Children's Centres. A positive step was the introduction of fifteen hours of free early education and care for all disadvantaged two-to-three year olds. But the CSR introduced other cuts in childcare support such as the cut from 80% to 70% of childcare costs

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[161] Jones, A. (2012) Corporation tax cut to 24% in April, *The Independent,* March 21, accessed at http://www.independent.co.uk/news/uk/politics/

[162] CLASS (2012) *Why inequality matters,* My Fair London in association with the Equality Trust accessible at http://www.myfairlondon.org.uk/wp-content/uploads/2012/09/why-inequality-matters.pdf,

[163] CPAG (2012)The cuts: what they mean for families at risk of poverty, accessed at http://www.cpag.org.uk/sites/default/files/CPAG_The_Cuts_what_they_.pdf

[164] Oxfam ibid 2012: p29).

[165] Women's Budget Group (2010) *The impact on women of the Coalition Spending Review of 2010*, November, p5 accessed at http://www.wbg.org.uk/RRB_Reports_4_1653541019.pdf

for low income families. This was a particular blow for women trying to enter the labour market as the UK has the third most expensive childcare in the OECD.[166] According to the Women's Budget Group lone parents will lose services worth 18.5% and female single pensioners will lose services worth 12% of their respective incomes. Single women will lose services worth 60% more than single men as proportions of their respective incomes.[167]

According to the Fawcett Society[168] women's employment will also be hit twice as hard as men's by public sector cuts because they are so over-represented in public sector jobs compared to men: 75% of local government workers are women; one in eight of all jobs done by women are in local government; 77% of NHS workers are women; 80% of adult social care workers are women; 82% of education workers are women. There is also a strong regional dimension as the North and Midlands have a higher proportion of workers in the public sector. 46% of working women in the North East of England work in public sector occupations - one of the highest percentages in any region of the UK.

People with a disability severely hit

More than 75% of disabled people with children live below the poverty line. People living with a disability are twice as likely to live in poverty as non-disabled people. A report by the Demos think-tank for the charity Scope[169] found that £9b of the CSR cuts will come from disabled people – half of that from time-limiting Employment and Support Allowance. There are 7m people of working age with a disability and they are more at risk of poverty. Only half of people of working age with a disability are in work, compared with 80% of the rest of the working age population. 1.3 million people who have a disability say they are available for and want to work. But they face discrimination and lack of sufficient support and will lose about £53 a week each if they are moved out of the ESA category into Job-Seekers Allowance following the Work Capability Assessment.

Who will gain if growth returns?

Real incomes (that is, incomes adjusted for inflation) have fallen sharply in the last three years. Wages have not matched rises in the cost of living. Recession and government imposed public sector pay freezes or wage increases below the rate of inflation are the main reasons; employment rights were already amongst the weakest in the rich countries. According to the UK Trades Union Congress (TUC), real terms wage losses due to pay freezes and pay cuts are such that workers will have to wait nine years (until 2021) to get back to the level of income they had in 2009. And this assumes that the Office for Budget Responsibility's forecast (of falling real wages to 2013 and then positive real wages of 0.5% per annum from 2015) is not too optimistic. The outgoing TUC general secretary said that "Ordinary workers did not benefit enough from the proceeds of growth in the run-up to the crash as profits were hoarded by shareholders and top executives. A return to "business as usual" will simply postpone the next living standards crisis." [170]

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[166] Oxfam 2012 (ibid): pp 24, 25, 4

[167] Women's Budget Group (2010) (ibid) p2

[168] Fawcett Society (2012) The impact of austerity on women, *Policy Briefing,* March, accessed at http://fawcettsociety.org.uk/documents/

[169] Wood, C. and Grant, E. (2010) *Destination unknown*, Demos, accessed at http://www.demos.co.uk/files/Destination_unknown_-_web.pdf?1286894260

[170] TUC 2012, Workers only a quarter of the way through 12-year wage dive says TUC, press release, October 4 accessed at www.tuc.org.uk

A report for the Resolution Foundation[171] used optimistic assumptions of 2.5% average growth per annum between 2015 and 2020 and assumed no more spending cuts following those in the 2011 Autumn Budget Statement. Yet it predicted that in 2020 living standards for those of working age in the bottom 50% of the income distribution will be "substantially lower". This group includes households living on welfare benefits (predicted to have a fall in living standards of 19% in real terms) and those of low-to-middle incomes (predicted real fall of 5%, but varies from 15% for those in the lower part of the low-to-middle income group to 3% for those at the top of this group). Low-to-middle income groups who currently get 20% of their income from the state will see this fall to 16.4% by 2020.

Thus inequality will rise. Three main reasons are given for the 2020 predictions:

1. Changes in the structure of employment that hollow out mid-level jobs leaving more high and low skill occupations
2. Changes in the distribution of work so that higher-income households get a faster increase in employment or working hours
3. Planned changes to the tax-benefit system that in 2013 replace benefit and tax credit indexation methods that use the RPI with the CPI. Households on benefits will increasingly fall further behind the rest of the population. Households with children will be most affected.

According to the Resolution Foundation, to combat – even partially, these changes requires a combination of polices to boost low wages, improve skills and raise female employment – yet all of these are in reverse. Even if these policies were in place, in 2020 households at the bottom of the low to middle income group will still see their gross income fall from £10,600 in 2008 to £9,300 in 2010 (rather than £9000).

UK civil society response

Social and civil dialogue

There has been a media blitz to get people to accept that the cuts are necessary because "the nation maxed out on its credit card" and the several months it took the Labour party to elect a new leader after its 2010 defeat allowed the Conservative-led Coalition government to establish its narrative about cleaning up the "mess Labour left us in." These influenced public opinion on the economic validity of the cuts and the moral necessity for them. Few people seem to see the crisis as a crisis of living standards to which austerity is the wrong response. Instead many accept austerity cuts in living standards (especially for others, like the poor) as the price of the pre-crash living standards "party". Many households and organisations have been in survival mode, trying to deal with the scale and rapidity of the cuts on their livelihoods or services. The speed of change has stunned many people and others have kept quiet hoping the storm will pass them by. But the increasing implementation of the cuts and the failure of growth – expected to be only 0.6% in 2013, may begin to shift public opinion.

There is no dialogue with government. Many informal and some formal groups have been cut, including the Social Inclusion Advisory Group (on EU social policy), of which the author was deputy chair.

Information is published on the government website and there are "consultations" on new policies, often on-line only, and that is all. It is possible to have a matter considered by the government (e.g. by a Parliamentary debate), if an e-petition receives 100,000 signatures but

[171] Institute for Employment Research and Institute for Fiscal Studies (2012) *Resolution Foundation: Who gains from growth? Living standards in 2020,* London, Resolution Foundation, September accessed at http://www.resolutionfoundation.org/publications/

the government need not change its view.[172] Recent big petitions were to reconsider the decision on the West Coast rail franchise and to stop the badger cull – both got over 160,000 signatures and had no impact. Over 100,000 people signed the petition to keep children's cardiac services in the author's home city of Leicester (it serves almost the whole of east England), but the highest national e-petitions related to cuts in services have had at most 20,000 signatures and many have only 2000-3000. There is no specific petition on poverty and attitudes to welfare claimants have hardened. According to a British Social Attitudes survey in 2012, only 28% of those asked wanted to see more spending on welfare - down from 35% at the beginning of the recession in 2008, and from 58% in 1991. 35% of respondents thought that many getting social security 'don't really deserve any help'.[173]

Campaigns

There has been a groundswell of activity since 2010 and it is likely to grow as more of the cuts are implemented. It is impossible to list even a small proportion of all the campaigns. Most campaigns get very little national media attention.

38 degrees[174] is an internet-based campaign group which members join by signing one of its e-petitions; it claims one million members and is funded by member donations. Campaign priorities are voted on by members and have included "Save our NHS" and support for the EU Directive on human trafficking, but also environmental campaigns.

False economy[175] is a blog site that gathers and maps information and testimonies about national and local cuts and campaigns and events. It provides information also about alternative economic approaches and resources and tools for campaigners. It is funded by several trades unions.

What there is *not*, is a well resourced single platform with a minimum agenda. The nearest single platform is the Coalition of Resistance described below.

Anti-austerity movements

At the moment there is more effective academic analysis of the austerity policies than there is effective opposition to them.

There is a Coalition of Resistance[176] against privatisation and cuts which was founded in November 2010 and now has a national council. Its President is the former Labour MP Tony Benn. It has cooperation agreements with the Right to Work Campaign[177] and the People's Charter[178] which campaigns for six major reforms to reverse the crisis and austerity. There are strong anti-cuts campaigns by unions such as the Public and Commercial Services Union (PCS[179]) and UNISON.[180] There were TUC marches against austerity[181] in London, Glasgow and Belfast on 20th October 2012.

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[172] HM Government all e-petitions, accessed at http://epetitions.direct.gov.uk/petitions?order=desc&page=6&sort=count

[173] Centre for economic and social inclusion (2012) Support for welfare reform growing as public attitudes towards claimants toughen, September 18, accessed at http://www.cesi.org.uk/social-inclusion-news/2012/sep/support-welfare-reform-growing-public-attitudes-towards-claimants-tou

[174] See www.38degrees.org.uk/pages/about38degrees

[175] See http://falseeconomy.org.uk/about

[176] See http://www.coalitionofresistance.org.uk/category/about-us/

[177] See http://righttowork.org.uk

[178] See http://www.thepeoplescharter.org/

[179] See http://www.pcs.org.uk/en/campaigns/index.cfm

[180] See http://www.unison.org.uk/ournhs/

UK Uncut[182] is a movement highlighting alternatives to the austerity cuts. It has targeted public demonstrations and actions, e.g. bank and shop sit-ins, against large companies and individuals who are avoiding tax or strongly engaged in pushing for austerity policies.

There are campaigns on tax justice for example that by Christian Aid[183] and Church Action on Poverty[184] in which members of EAPN in Wales and England have been involved especially in the Tax Justice Bus Tour. Tax Research LLP supports tax justice;[185] but there is also the Tax-Payers' Alliance which campaigns for a low-tax society.[186]

Many large social NGOs have ongoing campaigns against cuts in their individual areas of activity, especially child poverty and disability.

There are very many national and regional anti-privatisation and anti-cuts campaigns. An example of a local anti-cuts campaign is Manchester Coalition against the cuts.[187]

There is a campaign for state education.[188] The NHS Support Federation campaigns to retain a free and excellent NHS.[189] There are local campaigns to save almost every hospital threatened with closure. There is a UK chapter of the People's Health Movement which is a grassroots movement concerned with the link between health inequalities, access to public health services and social justice.[190]
The Scottish socialist party, the green left group and other left groups are also active against the cuts.

Anti-Poverty

There are ongoing campaigns such as End Child Poverty (150 organisations are members) and Make Poverty History in which EAPN member organisations are involved and which were started before the austerity cuts. There are also newer local groups like the London Coalition Against Poverty.[191]

Since 2010 both Child Poverty Action Group (CPAG) and the Fawcett Society have taken action against government when it implemented cuts that affected its legal duties regarding housing benefit[192] and its non-observance of its Equality duty in the Emergency Budget [193] respectively.

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181 See http://pcs.org.uk/en/news_and_events/pcs_comment/index.cfm/id/D0D7BA52-6960-43D2-8FFFF4826A3AAAC3
182 See http://www.ukuncut.org.uk/
183 See http://www.christianaid.org.uk/ActNow/trace-the-tax/
184 See www.church-poverty.org.uk/
185 See http://www.taxresearch.org.uk/Blog/about/
186 See http://www.taxpayersalliance.com/about
187 See http://coalitionagainstcuts.wordpress.com/about
188 See http://www.campaignforstateeducation.org.uk/
189 See http://www.nhscampaign.org/
190 See http://www.phm-uk.org.uk/?page_id=2
191 See http://www.lcap.org.uk/?page_id=4
192 CPAG (2011) Government faces legal challenge to housing benefit cuts, March 7, accessed at http://www.cpag.org.uk/content/government-faces-legal-challenge-housing-benefit-cuts
193 Fawcett (2010) Fawcett launches a legal challenge to government budget, accessed at http://fawcettsociety.org.uk/index.asp?PageID=1165

The Poverty Alliance Scotland (EAPN Scotland)[194] and the Derbyshire Unemployed Workers Centre[195] (member of EAPN England) have been particularly active against welfare reform and engaged in several campaigns, especially over changes affecting people with a disability. The Scottish Campaign on Welfare Reform (SCoWR) is a coalition of more than 60 Scottish NGOs and is coordinated by the Poverty Alliance. It has played a key role in lobbying the Scottish Government on the development of its social security policies. In particular, SCoWR played a key role in influencing the development of the new Scottish Welfare Fund (replacement for the Social Fund). This lobbying not only ensured that there would be a consistent approach across Scotland, but that an additional £9.2million was made available for the Fund.

In addition to the above campaigns, the campaign for a living wage has continued to gather pace in the UK. The Living Wage Foundation, set up by the community organising grouping Citizens UK, has coordinated the campaign and has helped bring greater coherence to the variety of campaigns across the UK. In Scotland, the Poverty Alliance coordinates the Scottish Living Wage Campaign, which is a coalition of trade unions, voluntary organisations and churches. This campaign has been particularly successful in the public sector where most local authorities now pay above the current rate of £7.45, with more than 20,000 workers estimated to have benefited.

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[194] See http://www.povertyalliance.org/

[195] See http://www.ne-derbyshire.gov.uk/advice-and-benefits/derbyshire-unemployed-workers-centres/