

Poor Britain

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Chapter 1: Going Down

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Introduction

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Going Down

The growing ranks of the poor

When you're in work, you just think to yourself, oh, I've got a job, tell the truth you think I'm alright Jack. You don't worry about things like unemployment until it happens to you - and then it hits you like a bomb. Your standard goes down and it just keeps going down, and it's difficult to get back up again. You're going down and down and you're trying to get yourself up and you just seem to go down more. [Unemployed father of three]

For most of the postwar period, poverty has been largely a forgotten problem. The early successes of the postwar economic and social policies lulled people into believing that deprivation and hardship belonged to the past. Throughout the 1950s, unemployment remained comparatively low, welfare spending steadily grew, modest economic growth was sustained. This prosperity contrasted sharply with what had gone before.

During the mass unemployment of the 1930s, hunger and hardship were an all too common experience. The war itself required sacrifices from the mass of people. For some their lives were devastated as their homes and possessions were all destroyed. For many there were material hardships never previously experienced. But after the war, as rationing faded out, living standards improved - and not just to what had once been known but, for the majority of people, to new heights. By the end of the 1950s the Prime Minister, Harold Macmillan, could proclaim that people had never had it so good. The poor

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could be forgotten.

In the 1960s, Britain's economy began to falter. Poverty was 'rediscovered' by academic researchers. New pressure groups were founded to promote the cause of the poor. The impact on the public consciousness was small, however. To the extent that the 'rediscovery' of poverty was more widely accepted, the poor themselves were often seen to be to blame.

In the 1970s, the poor came to be blamed not just for their own problems, but also for the nation's. Britain was increasingly seen to be in a rapid decline. In the desperate search for explanations, the poor became scapegoats. Welfare spending, it was claimed, was too high. Money was being 'diverted' away from the 'real' economy. The incentive to work hard had, it was said, been taken away by the 'generosity' of public 'handouts'. The poor were scroungers; their plight unrecognised.

In the 1980s, all this began to change. As Professor A. H. Halsey has observed, the problems of the poor have returned to the nation's agenda:

With more people unemployed even than in the depths of the depression of the 1930s, it is not surprising that there is widespread interest in and anxiety about poverty. At a time when state intervention as a means of government is being questioned and public expenditure reduced, the old questions of who are the poor, what causes poverty and how it can be cured, are all raised afresh. (LWT, 1983)

The growth of 'poverty'

The impact of the recession and the impact of the government's social policies are the two key reasons for the renewed concern about 'poverty'. While these two factors are, of course, intertwined, both are of critical importance.

Unemployment has more than doubled since 1979. Most of those who join the ranks of the unemployed experience a sharp drop in living standards and, for those who have been

unemployed for any length of time, the consequent hardship is intense. In the mid-1980s, over 1 million people had been unemployed for over a year.

The recession has also affected the labour market in other ways that have been detrimental to the poor. Pay differentials have widened sharply since 1979. Those low-paid manual workers who have managed to stay in work have suffered a deterioration in their relative pay: in 1978, the lowest-paid 10 per cent of male workers earned 66.8 per cent of the national average; in 1983, their earnings had fallen to 64.1 per cent of the average. At the same time, the highest-paid 10 per cent saw their earnings rise from 157.9 per cent of the average to 169.7 per cent. It is the poor who have borne the brunt of the recession.

The government has done little to mitigate these trends. Indeed, when Mrs Thatcher came to power in May 1979, she was committed to a radical change in the role of government. All previous postwar governments had acted to offset the increases in inequality that had resulted from the changes in the distribution of income through the labour market by increasing welfare spending. The Thatcher administration was committed to 'rolling back' the frontiers of the state. Although the consequent changes have been less radical than heralded, they have nevertheless fuelled the trend towards a more unequal society. The latest official figures on the distribution of income only go up to 1981/2 (Central Statistical Office, 1984), but the mark of the new Conservative government is clear. The share of after-tax income received by the bottom 10 per cent declined from 2.9 per cent in 1978/9 to 2.4 per cent in 1981/2, while the share of the top 10 per cent increased from 23.4 per cent to 25.6 per cent. The share of the super-rich (the top 1 per cent) also rose: from 3.9 per cent to 4.6 per cent, marking the first increase in the share taken by the super-rich since 1949.

There have been many government policies that have contributed to these trends, the most important being the changes in taxation and social security. Since 1979, the national level of taxes on incomes (income tax and national insurance contributions) has risen. However, while the low-paid have had

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to hand over an increased proportion of their wages to the state, the burden of tax on those on the highest incomes has, by contrast, fallen. Overall, the well-off and the rich have gained about £2,600 million between 1979 and 1984 from tax concessions. At the same time, there have been several changes in social security that have made those dependent on benefits poorer. Earnings-related supplements for all short-term benefits - unemployment and sickness benefit, and maternity and widow's allowance - were abolished from April 1981. This hit, in particular, the rising number of people unemployed for less than six months, who were as a consequence forced on to supplementary benefit. In addition, the statutory link between long-term benefits, such as pensions, and earnings was repealed and these benefits were increased in line with inflation only. Housing benefit has also been sharply cut. All in all, benefit cuts over the life of Mrs Thatcher's first term in office amounted to some £1,600 million, most of which represented a cut in the incomes of the poorest sections of the community.

Finally, changes in housing policy have also served to reinforce social and economic inequalities. In particular, subsidies for local authority housing have been cut substantially. From 1978/9 to 1983/4, housing subsidies to council tenants were reduced by 60 per cent, and as a consequence rents rose over that period at double the rate of inflation. Council house rents are now higher in relation to earnings than at any time since the war. At the same time, the cuts in housing benefit mean that many tenants are receiving less help in paying these ever-increasing rents. By contrast, the tax concessions enjoyed by those buying their own home through a mortgage have been protected. Indeed, the upper limit on tax relief on mortgage interest payments was raised from £25,000 to £30,000 in April 1983. Given the sharp polarisation of society by income and class between owner-occupation and local authority housing, these changes have sharply exacerbated inequalities. The result of all these trends has been that the living conditions of many of the poor have declined.

On top of this, there has been an increase in the numbers of people living on low incomes. This trend is clearly shown by

looking at the numbers living on or around the supplementary benefit level. The aim of supplementary benefit is to ensure that all those who are not in full-time work do not fall below a set income level. The minimum income level provided by supplementary benefit is sometimes called the 'state's poverty line'. From 1960 to 1977, the estimated number of people living *below* the supplementary benefit level remained roughly constant at around 2 million. From 1977 to 1979, the number rose slightly to around 2.13 million. In the next two years this number rose by nearly a quarter to reach 2.64 million (DHSS, 1983). Since then, the government has stopped publishing the figures on an annual basis, and now publishes them every two years. The number of households with incomes *equal* to supplementary benefit has also risen. In 1983, over 7 million people were dependent on supplementary benefit, a rise of 16 per cent since December 1981 and of 60 per cent since December 1979. If we assume that the number below supplementary benefit has risen since 1981 at the same rate as in the previous two years, then the numbers of people living *on or below* the supplementary benefit level stood at 8.6 million people in 1983. This compares with just over 6 million in 1979.

Researchers have, however, often used another measure for estimating the numbers on or below the 'state's poverty line'. Instead of taking the supplementary benefit scale rates on their own, a level of 140 per cent of the supplementary benefit rate is taken. This is to allow for the fact that most claimants have incomes that are higher than the basic rates. This results from the extra 'special needs' allowances that many claimants receive and the fact that claimants are allowed to keep a small amount of income from earnings and savings on top of their state benefit. If this level is used, some 15 million people - more than a quarter of the population - were in 'poverty' in 1981.

The debate about 'poverty'

These measures of 'poverty' are by no means universally accepted, however. The Prime Minister herself has described

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them as ‘wholly artificial definitions’ - and, indeed, they are precisely that. Although the supplementary benefit rates are approved by parliament each year, they are not based on any assessment of what people need.

The level of supplementary benefit is, in many ways, an historical accident. Based on its predecessor, national assistance, the rates stem from the level laid down by the 1945 Labour government when it set up the modern social security system. This, in turn, was the result of various compromises made when translating the recommendations of the Beveridge Report, *Social Insurance and Allied Services* (Beveridge, 1942), into law. The levels set down in the Beveridge Report, while stemming from the research work of Seebohm Rowntree, were in turn essentially arbitrary. All that has happened in the intervening years is that national assistance and then supplementary benefit have been uprated, generally, either in line with inflation or with earnings. But there has never been any overall assessment of why one particular level of supplementary benefit should be chosen rather than another.

Although the numbers on or around the supplementary benefit level provide useful information on the distribution of income in society and although the numbers below the supplementary benefit level provide an assessment of the failures of the system on its own terms, neither measure provides an agreed estimate of the extent of ‘poverty’.

The problems with using the supplementary benefit level to define the numbers in poverty have long been recognised. For example, J. C. Kincaid argued in the early 1970s:

There is no good reason why official definitions of financial poverty should be accepted as having any special validity. Government policy is based on what it thinks can be afforded at any particular time rather than on judgements about the income people need to maintain any kind of decent existence ... Since the Second World War, no British Government has ever carried out an inquiry to establish the minimum amount of income which people *need*. (Kincaid, 1973, p.179)

This gap remains as true now as in the early 1970s. Governments have sponsored studies into how supplementary benefit claimants cope (see, most recently, Berthoud, 1984), but there has never been an assessment of what people need. The most important postwar attempt to fill this gap was a pioneering and original survey by Professor Peter Townsend (1979), but the fieldwork was done in 1968-9 - it is now fifteen years out of date.

The *Breadline Britain* survey

The main purpose of the *Breadline Britain* survey was to try, in a modest way, to update the work of Townsend. This book is largely a report of these findings. Though our approach differs from that adopted by Townsend in a number of significant respects, the study belongs firmly to the same tradition. In particular, the study attempts to measure the extent of poverty not in terms of some arbitrary income level but in terms of the extent to which the poor are excluded from the way of living that is expected and customary in society today. This requires a survey not just of the poor but of the rest of society as well.

The main aim of the survey was, then, to provide an assessment of what it is that people need for living in Britain in the 1980s and in what ways people fail to meet these standards. The central idea of the study is that poverty can be defined in terms of 'an enforced lack of socially perceived necessities'. To pursue this theme, the survey had to gain information in two main areas. First, and for the first time ever, the public's view on what constitutes a minimum living standard was tapped. Second, a complementary set of information on people's actual living standards had to be established; a comprehensive look at people's 'ways of living' had not been attempted since Townsend's survey.

On the basis of these data, a new approach to the measurement of the extent of poverty is developed. In turn, this provides a new basis from which to evaluate the effectiveness of the welfare state.

The survey had, however, one further important aim: to examine attitudes towards the role of the welfare state, in particular in relation to the poor. In the context of the debate in recent years about the role of the welfare state and of the government's current review of social security spending, the public's views on these questions are of interest. The survey set out to identify public attitudes to state provision for the poor, to inequality and to specific anti-poverty measures.

To investigate these questions, London Weekend Television commissioned Market and Opinion Research International (MORI), a company specialising in political and social opinion polls and survey research, to design and conduct the *Breadline Britain* survey. The fieldwork was carried out in February 1983 with a quota sample of 1,174 people from throughout Britain. The sampling method is discussed in Appendix A, pp. 287-290, but as the book relies heavily on the opinions of this sample it is worth drawing out some general points.

The sample was designed, first, to enable a view representative of the population as a whole to be gained and, second, to ensure that the sub-group of the poor was large enough to enable their living standards to be examined. The first of these aims has been achieved. The checkbacks made on the weighted sample as a whole - whether on, for example, age of the respondents or housing tenure - show that the sample is in line with Britain's population profile. The survey's findings that refer to the sample as a whole can be taken to be representative of the adult population of Britain.

The second aim was more difficult to achieve within the cost constraints of the survey. The sample was designed to ensure a high representation of poor households and, in general, the analysis of the living standards of the poor is based on a sub-group of about 200 households. This means that when the figures refer specifically to this group they are somewhat less precise than those for the whole sample (for statistical detail see Appendix A). Clearly, a larger sample would have been desirable but, in general, the findings give a good guide to the scale of deprivation suffered by the poor

The *Breadline Britain* survey does, then, provide up-to date

information on the comparative living standards of the poor and attitudes to the poor. Although the picture is at times painted with broad strokes, it does throw light on the overall situation of the poor today. It is a light that is much needed for there is a great sparsity of other information. While the official national surveys of income and living conditions, in particular, the Family Expenditure Survey and the General Household Survey, provide a wide range of important information, none of them offer a comparative picture of people's 'ways of living' or, more importantly, any assessment of need. Further, the government's analysis of these surveys in terms of the poor is limited. It produces only a handful of tables, and recently this has been cut back to just every other year.

There is, moreover, some concern that information about the hardship suffered by the poor is 'suppressed'. For example, on 16 June 1984, *The Economist* reported in a short article headed *Print no Evil*:

Whitehall is using its muscle to suppress an international report on the poverty created by long-term unemployment in Britain and other industrialised countries. ... The subject is a sensitive one.

Poor Britain

This book tackles these politically sensitive areas. At its core there is one fundamental question: are the poor in Britain in the 1980s too poor? The answer affects all the other questions on the future for the poor.

In the House of Commons on 22 December 1983, Mrs Thatcher stated boldly:

... people who are living in need are fully and properly provided for.

Part I of this book sets out to establish whether or not this is the case. With more and more people living on low incomes,

the question of whether their consequent living standards are adequate is of considerable political significance. We also hope that in answering this question we have contributed to the academic debate on the definition and measurement of poverty.

In Part II of the book, we turn to public attitudes to the poor and to welfare spending. It provides an indication of the impact of the recession and soaring unemployment on such attitudes. In addition, with a government committed to 'rolling back the frontiers of the state', it throws light on the scope for this kind of action within welfare policy. Finally, and perhaps most importantly, this study provides some indication of whether the kinds of action needed to improve the lot of the poor would gain public support.

