Where are we now?
Country report: the United Kingdom

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In 1997 the Labour Party was elected in the UK with a significant parliamentary majority and the opportunity to re-shape the political and policy landscape after almost two decades of Conservative policy. This paper considers first the legacy that the Conservatives left, outlines the key features of Labour's social and economic policies over the past seven years, and reflects on the outcomes and implications of these for the future direction of the British welfare state.

The Conservative legacy

In the original 'diminishing welfare' chapter, Millar (2000), I described the Conservative governments as characterised by particular ideological beliefs:

> 'that economic inequality is both necessary and acceptable since individuals should be rewarded for their own efforts; that the private market is superior to collective state provision; that poverty is largely caused by people failing to take responsibility for themselves; and that public expenditure is a drain on the economy, representing a cost and not a benefit, stifling economic growth and so pulling everyone down'.

These values underpinned the policy approach of those years, which included an explicit commitment to 'low tax, low spending' – cutting public expenditure, employment deregulation in order to encourage a low-wage and flexible labour market, increasingly targeted and means-tested benefits, increased role for private sector provision, and declining investment in public services. This was accompanied

by a strongly negative construction of state welfare as morally, as well as economically, corrupting. Those who were reliant upon social security benefits were villains rather than victims, their 'dependency' seen as of their own making and (as in the US) lone mothers were easy targets for these political attacks.

The Conservatives presided over a massive increase in inequality and in poverty, both of which had reached unprecedented levels by the mid 1990s. Inequality rose by more in the UK than it did in any other country with the exception of New Zealand (Hills, 1995). In 1979 the richest ten per cent had incomes about five times the level of the poorest ten per cent. By the mid 1990s the richest had more than ten times the income of the poorest. The Gini co-efficient rose from 0.25 in 1979 to 0.34 in 1997 (Hills, 2004). This rising inequality reversed the post-war trend, which had been to greater income equality, and belied the Conservative view that a 'rising tide would lift all ships' – instead the poorest fell further behind.

Official statistics show that the proportion of people living in households below 60 per cent of median equivalent income after housing costs (commonly taken as a poverty line) rose from 13 per cent in 1979 to 25 per cent in 1996/7 (DSS/DWP, from the *Households Below Average Income* series). Particularly dramatic were the figures on child poverty, showing an increase from about one in ten to around a third over the same period. This meant that the UK had one of the highest child poverty rates in the industrialised world. In 1974, just about six per cent of all under-16 year olds were living in families receiving means-tested social assistance; by 1994 one quarter did so.

Levels of unemployment had reached particularly high levels in the 1980s, with a peak of over three million people unemployed, an unemployment rate of about 14 per cent. By 1997 registered unemployment had fallen to eight per cent. But there had also been an increasing polarisation between households with two or more earners and those with no earners, in 1996 there were about 3.4 million working-age households with no-one in work (almost one in five), and the number of children living in workless households had reached 2.6 million (Gregg and Wadsworth, 2003).

In employment, the rights of trade unions were severely restricted during the 1980s (and membership fell from 13 million in 1979 to 8 million in 1994); the Wages

Councils which set minimum pay rates for certain sectors were abolished; jobs in the public sector were increasingly ‘contracted out’ to private companies with lower pay and poorer conditions; and public sector pay fell sharply including pay in education and health – teachers, doctors (and university lecturers) saw their relative position decline sharply.

Labour’s welfare reform: new goals, new instruments

The size of the Labour majority in 1997 gave an opportunity for some radical change. Not only was this a decisive election win, but public opinion data seemed to support higher levels of government spending especially in the areas of health and education, and also spending to reduce poverty and inequality. The Labour manifesto stressed five key pledges. Four of these were clear targets – to cut class sizes for 5-7 year olds, to cut NHS waiting lists, to introduce fast track punishment for persistent young offenders, and to reduce youth employment by 250,000[1]. The fifth was that there should be no rise in income tax, and that inflation and interest rates would be kept as low as possible. Labour also promised to keep to the Conservatives’ spending limits for the first two years. These commitments meant that the capacity to address poverty, unemployment and the run-down state of public services was somewhat limited for the initial few years in government.

However the outlines of the policy approach that was to dominate were already being set out:

- In 1997 the Treasury produced the first paper in the pre-budget series, ‘Modernising the tax and benefit system’. This first paper analysed the labour market trends, especially in respect of workless households, arguing that registered unemployment only tells part of the story and that it is essential to focus on the wider definition of worklessness, which includes groups such as lone parents and disabled people (HMT, 1997). Ten further papers have been produced in this series since 1997, including an analysis of the long-term impact of poverty on children as they grow up (HMT, 1999a) and the

[1] All were – more or less - achieved, see Powell (2002) for an evaluation of the successes and failures of Labour’s first government.

proposals for the introduction of tax credits for children and low-paid workers (HMT, 1999b, 2002).

- In August 1997, the Social Exclusion Unit was established as a cross-cutting unit of central government without responsibility for delivery but charged with promoting 'joined up' policy to tackle the vicious circle created 'when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown' (Social Exclusion Unit, 1997).

- In 1997 the first 'New Deal' programme was announced, funded by a 'windfall tax' on utilities thus avoiding the self-imposed public expenditure restrictions. This was *New Deal for Young People*, aimed at eliminating unemployment among under 25 year-olds, by offering them support to find work, or compulsory work experience and/or training, and backed up by incentives to employers to take on these new young workers. This was rapidly followed by other New Deal programmes, including a voluntary programme for lone parents (1997/1998), for long-term unemployed people (1998), for disabled people (1998/2000), for partners of unemployed people (1999) and for the over 50s (1999/2000) The rules and requirements vary across the programmes, but the New Deal covers groups of people who had previously always been excluded from labour market programmes (lone parents, disabled people, partners of unemployed people) as well as programmes for more traditional target groups (the long-term unemployed and older workers) (Millar, 2000a).

- In 1998 the Department of Social Security produced the first Green Paper on welfare reform (*New Ambitions for our Country: a new contract for welfare*, DSS, 1997). This promised to reform the welfare system around the goal of 'work for those who can, security for those who cannot', arguing that paid work offered the best route out of poverty and that social security must be transformed from a 'passive' system of income maintenance to an 'active'

system of creating opportunity for self-support through employment (a ‘hand-up not a hand-out’).

- In 1999 the first *Opportunity for All* report was published. This set out an analysis of poverty and social exclusion as ‘complex and multi-dimensional problems’ that require integrated and radical policy responses’. It also set a list of benchmark indicators across four main areas: children and young people (for example, reducing the number of children in workless households, reducing smoking rates of children and pregnant women, reducing teenage pregnancy rates, reducing truancy and school exclusions); people of working age (e.g. increasing the employment rate, reducing the proportion of people with no qualifications, reducing numbers on relative and absolute low incomes, reducing the number of rough speakers); older people (e.g. increasing life expectancy at 65, reducing poverty rates, reducing numbers in poor quality housing) and communities (e.g. increasing the employment rate sin deprived areas, reducing the rate of domestic burglary, closing the gap in children’s educational performance). These indictors are being monitored in a series of annual updates that have reviewed progress against these benchmark measures[2].

- In 1999 the Prime Minister delivered a major lecture on the future of the welfare state - the Beveridge Lecture (after the architect of the post-war British welfare state, William Beveridge). In it he set out ‘our historic aim that ours is the first generation to end child poverty forever, and it will take a generation. It is a 20-year mission but I believe that it can be done’ (Blair, 1999). Blair cited evidence about the damaging impact of child poverty and drew on arguments that emphasised children as an investment: ‘We need to break the cycle of disadvantage so that children born into poverty are not condemned to social exclusion and deprivation. That is why it is so important that we invest in our children’.

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[2] The latest report (DWP, 2004) shows that most indicators are going in the right direction, although the reports have not been specific as the actual level of change. See www.dwp.gov.uk/ofa/reports/2004/summary/

This was an ambitious programme, with some very specific pledges and commitments. This short paper cannot possibly examine all these, nor indeed cover the other important developments in other welfare services, including health care and education[3]. Here I focus on two main areas, which directly impact on the lives and living standards of the poorest and most disadvantaged people – the 'work as welfare' policy agenda and the pledge to 'end child poverty'.

Work as welfare

Promoting paid work has been absolutely central to Labour's policy objectives. The government stresses the continuing importance of the goal of full employment, but has defined this to mean the creation of 'employment opportunity for all in every region' (Balls *et al*, 2004; see also DfEE, 2001). This goal has largely been pursued by supply-side policies, targeted not just on those people who are registered as unemployed and who are required to seek work as a condition of benefit receipt (who numbered about 1.6 million in 1997), but also on those groups who were entitled to claim benefits without any work requirements, specifically lone parents (about one million in 1997) and long-term sick or disabled people (about 2.3 million). The resulting policy measures have been a mixture of compulsory and voluntary requirements to benefit recipients to seek work, significant increases in the level of financial support for people in (low-paid) employment, and increases in childcare and other services to enable parents to combine work and care. The policies can be grouped into five main headings:

1. New Deal programmes

As noted above there have been a number of different New Deal programmes, each targeting a different group, offering a different package of measures, and with different levels of funding.

The New Deal for Young People (NDYP) is the 'flagship' programme. The target group are young people aged 18 to 24 who have been unemployed for six months.

[3] See Powell (2002) for an overview. The annual publication of the Social Policy Association, *Social Policy Review (*most recently Ellison, Bauld and Powell, 2004*)* also provides commentaries on policy developments.

Participation is compulsory and starts with 4 months 'gateway' where the focus is on job search. For those who do not find jobs during this period, there are then four options – work experience in subsidised jobs, education and training, work in the voluntary sector work, and work in the environmental task force. All four options include some training element. The full-time education and training option has, however, been the most popular option (about two-fifths of participants in 2002, compared with about a fifth each for the others). About three-quarters of NDYP participants are men, and most are low-skilled as well as lacking work experience.

The NDYP was central to the government achieving the 1997 election pledge to reduce youth unemployment by 250,000. By 2004, almost 0.5 million young people had left the programme for jobs and the various evaluations (from government and independent sources) concluded that there had been a positive impact on youth employment levels (Balls *et al,* 2004). Long-term youth unemployment is estimated to be about half what it would have been without the programme (TUC, 2004). Blundell *at al* (2003) conclude that the aggregate effect has been to raise employment by about 17,000 per year and that this has generally been cost-effective – they conclude that the programme has been 'a modest success at a modest cost'.

The New Deal for 12 plus (ND25+) is similar is structure to the NDYP. It is also compulsory and includes a range of options after an initial gateway period. These are the two largest programmes in terms of budgets (£1,500 million on NDYP up to 2003/4 and £830 million on ND25+). Unlike these programmes, the New Deal for Lone Parents (NDLP) is voluntary, with all lone parents receiving income support invited to participate, if they wish to do so. The programme is much less structured than the NDYP and much less in terms of cost (£300 million up to 2003/4). Each lone parent who participates in the NDLP is allocated to a New Deal Personal Adviser, who offers information, advice and support. They can also offer specific help with finding jobs, childcare and training (although the latter is limited and does not reach much beyond a basic level). The range of support and services that can be accessed has increased over time, as complementary polices have developed and as New Deal Personal Advisers have been given access to more possible provisions. For example, the 'Adviser Discretionary Fund', introduced in 2001, allows them to allocate up to £300 per client to be used to help people to find work.

The take-up of NDLP is at about 13-14 per cent of all lone parents receiving Income Support, and increasing participation levels has thus been a key goal. In general this has involved trying to make participation more attractive by offering more flexibility in provision (such as the discretionary fund). But in addition, since 2001, all lone parents have been required to attend compulsory 'work-focussed' interviews as part of their claim for income support. These interviews are intended to encourage more people to join NDLP, and have some success in doing so. However those who join through this route are less likely to find jobs through NDLP, which may reflect different in their characteristics and work-readiness (Evans *et al,* 2003).

About 600,000 people have been through NDLP since 1998 and of these about half have left the programme for employment. The main evaluation has shown that participation about doubles the chances of finding work but, because participation is low, the aggregate impact is quite small (Lessof *et al*, 2003). In addition, the jobs that people move into are not necessarily long-lasting or secure. Evans *et al* (2004) show that lone parents are twice as likely to exit from jobs as other groups, and so the issue of employment retention is becoming increasingly important. The quality of jobs is not high – most lone parents enter relatively low paying jobs, typically at about 20 or so hours per week and many would be living below the poverty line if they were not receiving tax credits and other support to boost their wages (Millar and Gardiner, 2004).

Comparing these three programmes in terms of 'sustained' employment (defined as 13 weeks and above) shows that the NDLP is the most successful (56 per cent), followed by the NDYP (31 per cent) and the ND25+ (25 per cent) (TUC, 2004).

The three remaining programmes – for disabled people, for partners, for the 50 plus age group – are all voluntary, offer personal advisers' assistance and have a combined spend of about £200 million up to 2003/3. There is less information about the outcomes of these. All have had some success in helping people into work but take-up is low among disabled people and partners. Compulsory work-focused interviews have therefore also been introduced for these groups.

2. *Making work pay*

The goal of making work pay has two main meanings: ensuring that people are better off in work than they are out of work and also that people in work are not living in poverty. It includes measures targeted on individuals and those targeted on families. The National Minimum Wage, introduced for the first time in the UK in 1999, is the most important of the individual measures. The rate was initially set a very low level (£3.70 per hour at a time when average earnings were about £10 per hour), as the government were concerned about possible upward pressure on wages, as well as keen not to alienate private sector employers. The initial impact was to move people from below the level of the national minimum wage level to exactly this level, or just above, and there has been little or no effect on the pay of other employees (Metcalf, 2002). Dickens and Manning (2003, p201) conclude that 'at most 3.7 per cent (815,000) of adult workers received a pay rise' when the national minimum wage was introduced, three quarters of these being women. The rate has been increased since 1999 and is now at £4.85 per hour.

Low-paid workers have also benefited from reductions in the starting rate of income tax and lower national insurance contributions. But it is the new system of 'tax credits' (from April 2003) that has been the main vehicle for providing additional support to working people, especially working families. The child tax credit provides means-tested support to families with dependent children and is described below. The working tax credit is the latest version of in-work means-tested support that dates back to the early 1970s in the UK. At that time the 'family income supplement' was payable to low-paid full-time (over 30 hours per week) families with children. This was replaced by family credit in the late 1980s, which was similar in structure but provided higher level of support and was extended to those working 16 hours (lone parents) or 24 hours (couples with children). This was in turn replaced by the working families tax credit in 1999, which was – for the first time – paid by the Inland Revenue as part of the tax system. In 2003, this was replaced by the working tax credit, which is assessed on the basis of family income and other entitlement conditions which relate to hours of work (at least 16 hours per week for families with children and disabled people and at least 30 for non-disabled single people and childless couples), and to age (non-disabled single people and childless couples must be aged 25 or over to be eligible). Those working 30 or more hours per week receive a

bonus. The Inland Revenue is responsible for assessing and paying tax credits, on the grounds that delivery through the tax system makes such support more acceptable because it is associated with rewards from work and universal taxation, rather than with state assistance and selective benefits (HM Treasury, 1998).

By April 2004, there were 760,000 couples with children receiving working tax credit, 828,000 lone parents, 74,000 couples without children, and 160,000 single people (Inland Revenue, 2004).

3. Reconciling work and family life

The government has also introduced various measures intended to help parents, in particular, to balance the demands of paid work and care work. The 'national childcare strategy' (discussed in more detail below) aims to ensure that there is 'accessible, affordable and quality childcare for all children aged 0 to 14 in each neighbourhood. The Childcare Tax Credit element of WFTC can pay up to 70 per cent of the cost of registered childcare, up to a ceiling.

Other measures to support parents at work include: improvements in maternity pay and leave, two-weeks paid paternity leave, unpaid parental leave, the right to request flexible working for parents of children under six and children with disabilities.

4. Restructuring the delivery of benefits and employment services

In 2000, the Department of Social Security was re-named the Department for Work and Pensions, reflecting the goal of an 'active' system promoting employment for all. The DWP has since been following an ongoing programme to create a new integrated service, in which job search activities and benefit administration are brought more closely together. The new 'Jobcentre Plus' local offices bring together the Benefits Agency (which previously dealt with the verification and payment of social security benefits) and the Employment Service (which dealt with work requirements, job vacancies and labour market programmes) into one integrated office. The aim is to emphasise the connection between receiving benefits and seeking work, both for claimants and for the staff. This is a very ambitious programme of administrative reform, involving offices across the whole country, and has led to major changes in culture and working for those involved.

In addition, within Jobcentre Plus, there has been a move away from 'ring-fenced' NDLP teams to more generic teams, responsible for delivery across all the New Deal programmes. Thus, New Deal Personal Advisers are increasingly likely to work with a range of client groups (e.g. young people, disabled people) rather than only with lone parents.

5. *Area-based policies*

The above measures are targeted on individuals and families. But there have also been some programmes targeted on particularly disadvantaged areas, although still focused on the goal of improving labour supply. The New Deal for Communities and the Employment Zones channel extra resources into the areas where they operate, allow greater flexibility in the way in which personal advisers can use the funds they have, include a wider mix of public, private and voluntary provision. These programmes have had some success at raising employment rates of disadvantaged groups in disadvantaged areas.

Overview

In general, employment has been rising since 1997 and unemployment falling. In June 2004 there were about 28.3 million people in employment, a rise of 1.7 million since 1997 (Bivand, 2004). This gives an employment rate of 74.9 per cent. Registered unemployment was at about 0.8 million by July 2004 (2.7 per cent), although was much higher – about 1.4 million - on the ILO measure (of those seeking work whether or not they are receiving benefits) since 1997. However, there are still significant numbers of working age people reliant upon income support benefits, including almost 3 million sick and disabled people. The employment rate for people with disabilities has risen only very slightly, from 43.5 per cent in 1997 to 49.1 per cent in 2003 (TUC, 2003). In general the capacity of these programmes to help those most disadvantaged – by their personal characteristics and/or by the lack of job opportunities where they live – has been limited. The government is therefore proposing that the future development of the New Deal programmes should aim to create a system that is more flexible and responsive to local circumstances and need. This will involve giving more discretion to personal advisers to offer a wider range of services and also more specialist help to people with multiple problems and

disadvantages (DWP, 2004b). There is also a focus on improving skills, for example through a new ‘modern apprenticeship’ programme. Thus the focus of policy remains firmly on the supply side.

Ending child poverty

The work as welfare policy agenda is a central element in the policies intended to tackle child poverty, (‘work is the best route out of long-term poverty … work is good for the self-esteem and aspirations of the parent and the child’, Balls *et al*, 2004). But the measures to first reduce, and then eliminate, child poverty have also included increases in the direct financial support for children; investments in early years education and childcare; and targeted programmes for particular groups of disadvantaged children.

Financial support for children

Child Benefit is payable for all children, regardless of family income or parental status. This was worth £11.05 for the first child in 1997 and is now worth £16.50. For children of non-employed parents, child additions to income support rose by about 80 per cent in real terms for young children between 1997 and 2001 (Ridge and Millar, 2002). These have since been increased further and rolled up into the new ‘Child Tax Credit’ from 2003. This is a means-tested tax credit, for which about nine in ten families are eligible, and which is paid to working and non-working families in the same way. The aim is to provide a ‘seamless’ system of support so that parents are not required to make new claims as they move in and out of work. By April 2004, there were about 4.7 million working families receiving the child tax credit, including just over two million getting more than the basic family rate (IR, 2004). The Treasury estimate that, on average, families with children have gained about £25 per week since 1997, with the bottom ten per cent gaining over £50. By 2004/5 financial support for children had risen by £10.4 billion in real terms since 1997, a rise of 72 per cent (Balls *et al,* 2004).

Early years education and childcare

The measures here include:

- Pre-school education - all three and four year old children guaranteed a free nursery school place.

- The ‘National Childcare Strategy’ – started in 1998 this set out to deliver quality and affordable childcare places in very neighbourhood. This is being delivered through the ‘Early Years Development and Childcare Partnerships’ set up by Local Authorities. In addition the ‘Neighbourhood Nurseries Initiative’, introduced in 2001, aims to create up to 45,000 places in the most disadvantaged areas in England. This includes a requirement to create places for lone parents entering employment. By 2004 there were 1.6 million new childcare places created.
- Sure Start local programmes - starting in 250 disadvantaged areas, rising to over 500 by 2004. These programmes now reach about half a million children, mainly poor children, with an integrated package of services aimed at helping to equip pre-school children for starting school.
- The establishment of ‘Children’s Centres’ – a recent pledge (in the 2004 budget) is for the establishment of such centres (bringing together sure start, childcare, etc in one place) for the 20 per cent most disadvantaged wards by 2007/8.

Funding for these programmes has now reached about £3 billion per year, almost triple the level in 1997, and further rises are planned (HMT, 2004).

Targeted programmes

There have been a number of new programmes targeted at children, and especially at poor children. These include:

- Educational Maintenance Allowances - in 15 pilot areas, means-tested support for children aged 16 plus who attend full-time courses at school or college.
- On Track - aimed at reducing the risk factors that link young people with future criminal behaviour, with a budget of £27m for 20-30 pilot projects.
- Connexions - to provide information, advice, guidance and access to personal advisers for all young people aged 13 to 19.
- The Children's Fund - with a budget of £450 million over three years, mainly targeted on preventive work with children in the 5 to 13 age group.

Impact on child poverty

The proportion of children in poverty (defined as income below 60 per cent of the median, after housing costs) has fallen from 34 per cent in 1996/7 to about 28 per cent in 2002/3 (the latest figures which are available, DWP, 2004). This represents a drop of about 0.6 million out of about 4.2 million poor children. Using an absolute low-income measure (rather than a relative measure) the number of poor children fell from 4.0 million to 2.5 million (after housing costs) (Balls *et al,* 2004)[4]. This means that the government is on target to meet the interim goal of reducing child poverty levels by one quarter by 2004/5. But it still leaves a lot of poor children for whom policy has not yet delivered. Similarly there remains a significant shortfall in childcare provision. Most three and four year olds do have nursery places but the number of childcare places for children under 8 in England has only increased from one place for every eight children to one place for every five children, and there are very significant variations across the country in the level of provision and in costs (with London have particularly high fees). There are also concerns about sustainability of provision, with a high turnover among private providers and the loss of many childminding places. Large families, children with disabilities, and parents working long or atypical hours are not well served (Land, 2004).

Where are we now?

The UK has seen a major turn around in many areas of social policy since the 1980s and the 1990s. The focus on tackling poverty and social exclusion is very different from the Conservative governments' view that poverty did not exist in the UK. But the high levels of long-term poverty that were the legacy of those years are proving difficult to eradicate. There are important issues facing future policy in respect of both of the policy areas we have considered here.

The limits of the employment-based approach

Extending employment opportunity to all is the Labour government's version of full employment and policies have been successful at increasing the overall employment participation rate. But this is very unevenly distributed across the country and there

[4] The government has settled on three measures of child poverty – an absolute measure (below 60 per cent of 1998/9 median uprated by prices), a relative measure (below 60 per cent of contemporary median) and a measure which combines material deprivation and income measures (below 70 per cent of the contemporary median and unable to afford certain goods and services). All will be measured before housing costs (DWP, 2003).

remain areas with high concentrations of unemployment and worklessness more generally. It seems doubtful that the current approach will be adequate for tackling these geographical inequalities. The labour market is very diverse and employment opportunities very unequal. There are many people in jobs that are low-paid, part-time, insecure and with limited scope for advancement. Most people who move into work after being unemployed or otherwise inactive do so at wage levels well below the average, and some are locked into a 'low pay/no pay' cycle, and wage progression may be slow or non-existent especially for people without skills or qualifications (Dickens and Manning, 2003). There are large differences in wages according to educational status, between men and women, and between part- time and full-time workers. Accounts of working in the low-paid sector highlight the struggle to make ends meet for those in low-paid and insecure jobs (Abrams, 2002; Toynbee, 2003). Wages, job security and employment rights are limited for many people.

There is also concern that the strong focus on paid employment for all will increasingly mean that there will be limited support for unpaid caring work and that having a choice between paid work and caring work will become restricted to only to well-off families, while poorer women will be increasingly forced (by economic necessity and/or by changes to benefit rules) to spend more time in paid work and less time in care work.

Ending child poverty

There is no doubt that the commitment to ending child poverty has had a significant impact of policy and provision. The extra spending on families with children has improved living standards of many poor families. But to reach the targets will require much more to be done – more expenditure on child-related benefits, more help for parents to take up employment, more support for the most disadvantaged groups including some ethnic minority families (Pakistani and Bangladeshi families with children have the highest poverty rates of all families). Whether this will politically feasible and popular remains to be seen.

More broadly, there are some who question whether it is possible to reduce poverty without explicitly tackling the wider issue of inequality. The Labour government has argued that equality of opportunity is the key goal and that inequality of outcome is

not important, and that as long as the poorest are becoming better-off then it does not matter if inequalities in income and wealth are increasing. But others argue that inequality is undermining social cohesion and this threatens to undermine the government's objectives for social justice (Jackson and Segal, 2004). Some government ministers (including the Chancellor of the Exchequer and the Minister responsible for the Social Exclusion Unit) have started to argue that it is important to reduce inequality and not simply to reduce poverty.

The Labour government has sought to find a 'third way' between free market deregulation on the one hand, and rigid and inflexible social protection on the other. It has adopted a deliberately pragmatic (what works is what matters) and non-ideological approach to economic and social policy. This has created a particular policy mix. But there is much here that would be recognised elsewhere. The general focus on raising employment levels, on 'active' labour market policies, on developing family policy to support employment, and on promoting social inclusion through employment are all also familiar to other European Union countries. There are also, of course, common features with the previous Conservative governments, where self support through paid work was also seen as of central importance. But a key difference lies in the pledge to end child poverty. Such a promise would never have been made under the Conservatives then, although (after seven years out of office) they are now forced much more onto Labour's policy ground (as happened to Labour during the Conservative years). Tony Blair, before the 1997 election, said that the Labour government should be judged on whether it improved the living standards of the poorest. That may not be the issue that is uppermost in the next election, but social policy has been one of the electoral strengths of Labour and there does seem to be continuing support for these policies.

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