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FOREWORD

ANDREW HARROP and RYAN SHORTHOUSE

A very warm welcome to our joint conference on 'A future without poverty'.

Both The Fabian Society and Bright Blue are dedicated to generating policy ideas to enable people from every background to live prosperous and fulfilling lives. We may not always agree with each other on specific policy recommendations, but we are united in passionately believing that the levels of poverty in Britain are shameful, and that public policy and resources should give priority to supporting those who are vulnerable.

A General Election is just around the corner. The political mudslinging is escalating. But we wanted to buck the trend and create a cross-party space for people from different political and social backgrounds to come together to share their experiences and find common solutions to poverty.

This pamphlet is the start of the conversation. In it we bring together ministers and shadow ministers, thinkers, campaigners and people experiencing poverty to write about their vision for a future without poverty. With such a broad coalition committed to action, progress on poverty is possible.

DELIVERING SOCIAL JUSTICE

THE RT HON IAIN DUNCAN SMITH MP is the Secretary of State for Work and Pensions and the Member of Parliament for Chingford and Woodford Green

At the start of this Parliament, the Government set out a vision for transforming the lives of the most disadvantaged in our society – rooted and grounded in social justice.

For too long, social breakdown had been viewed as an intractable problem. This had to change. For you don't solve addiction by parking people on methadone. You don't stop problem debt by abandoning people to payday lenders. You don't rehabilitate offenders by simply locking them away. And you don't cure welfare dependency by parking people on benefits.

From the very beginning, delivering social justice required that we challenge the status quo – dispelling the idea that it is easier to manage a problem than to transform people's lives. But more than that, we had to disprove a simplistic logic that dogged the last Government's poverty strategy: the approach of 'poverty plus a pound', hiking income transfers to families and children to move them over an arbitrary poverty line.

Under the last Government, more money was paid out in welfare than ever before, with over £175 billion spent on tax credits alone. Yet where that spending diminished the incentive to work or penalised positive choices, it remains that it was money wasted; spent with the best of intentions, but without making any measurable improvement to people's lives.

To put it another way, just think how much more could be achieved if that

money were invested to make a lasting difference to individuals' chances and families' self-sufficiency and security.

That is why, from the start, this Government has been unwavering in its commitment to social reform. It is social justice that ensures those at the very bottom of the ladder are helped to get a foot on the first rung – part of our long-term economic plan, which is now delivering a better, more secure future for all.

For too long, social breakdown had been viewed as an intractable problem. This had to change

Now, from the start of children's lives we are seeing families more stable, with 160,000 people having accessed preventative relationship support and 250,000 more children living with both their birth parents. Next, the attainment gap in schools is narrowing – evidenced by 33,000 youngsters on free school meals getting good grades in English and Maths GCSE, an increase of 7 percentage points since 2010. Finally, when individuals reach adulthood, their prospects of work are vastly improved, with record numbers of people in work, record private sector employment and record vacancies.

Unlike in the past, when economic recovery meant all too little for those on the margins, now the evidence of a linked social and economic recovery is clear to see – with the national roll-out of Universal Credit and an improving jobs market where no one is being left behind. There are now nearly 700,000 fewer workless households since 2010,

and 270,000 fewer families living in social housing without work. This in turn has brought the proportion in social housing with work to its highest since records began – households where there is now a breadwinner and a role model to shape children's ambitions.

In all this, social justice marks a historic break from a system that for too long fostered dependency rather than transforming lives. Yet such change is not something Government can realise on its own, and nor does it happen using the same old methods.

That is why, over the last 5 years, it has been so encouraging to see the emergence of radical and creative ways of delivering social justice – with the UK now a world leader in harnessing social investment to achieve social change. Alongside having identified the first £1 trillion pounds of potential social investment money, our social investment tax relief stands to generate up to nearly £500 million over another 5 years.

Looking to the next Parliament, with the need to keep Government finances in check, all of us will need to find new ways of tackling social problems – building momentum in the years to come.

Social justice offers a way forward. By intervening early, we prevent costs from building up further down the line. By tackling problems at their source, we save money spent on ineffective remedial policies. And by focusing on outcomes, we ensure that each pound we spend goes on meaningful life change.

Restoring our finances, as we are compelled to do, but at the same time restoring hope and aspiration to those on the furthest reaches of society.

HOW TO TACKLE POVERTY

KATE GREEN MP is Shadow Spokesperson for Disabled People and Member of Parliament for Stretford and Urmston

Under the Tories, child poverty doubled between 1979 and 1997. By contrast, Labour set an ambitious target to eradicate child poverty. We lifted more than 1 million children out of poverty by 2010/11 and pensioner poverty halved.

This was achieved through a range of redistributive measures, such as tax credits and the pension credit, as well as increasing the employment rate and making work pay. But now, under the Tory-led coalition, progress has been thrust into reverse. Absolute child poverty and rates of material deprivation are higher than when Labour left office. Half of all those in poverty are in work. The IFS predicts that by 2020, the gains made under Labour will have been all but wiped out.

A Labour government will not tolerate this situation. But in the next parliament, the scope for fiscal measures to do the heavy lifting will be less. And as Ed

Miliband has repeatedly made clear, it's incumbent on markets as well as governments to take steps to reduce inequality and tackle poverty.

So our agenda for the next parliament will ensure that those with the broadest shoulders bear the largest burden, through increasing tax on those earning more than £150,000 and reducing tax breaks on their pension contributions, and a mansion tax on properties worth more than £2 million. At the same time, we'll introduce a new, lower 10 pence starting rate of tax, benefitting 24 million working people on middle and lower incomes, paid for by scrapping the unfair marriage tax allowance.

So our agenda for the next parliament will ensure that those with the broadest shoulders bear the largest burden

But we'll also expect much more of markets, with our energy price freeze, which will cap gas and electricity bills

till 2017, our bankers' bonus tax to pay for our youth jobs guarantee, and our commitment to increase the national minimum wage to £8 an hour by the end of the next parliament, and to promote the living wage.

Boosting employment and ensuring that people can gain the skills and qualifications to progress at work and improve their earnings will also be a priority for the Labour government. So we will ensure that as many young people have the opportunity to gain good vocational qualifications as go to university, and that apprenticeships lead to qualifications at level 3. And our extension of free childcare to working parents for 3 and 4 year olds to 25 hours a week, and increased paternity pay, will help families with young children to make ends meet and make work pay.

For those who can't work, because of sickness, disability or caring responsibilities, we will ensure benefits are assessed and paid efficiently and promptly. Axing the bedroom tax will make a huge difference to the 600,000 households affected, two thirds of them with a disabled family member. And we will ensure that the basic state pension continues to keep pace with the cost of living through the triple lock.

These are the priorities for a Labour government to tackle poverty: helping families cope with the cost of living, making work pay, and ensuring our tax and benefits system is fair. We will expect everyone who can contribute to do so, but in return everyone will know that the welfare state will be there when they need its support. It's a radical departure from failed Tory trickledown economics. And it will deliver the sustained reduction in poverty that is our goal.



THE SOCIETY WE WANT

BARRY KNIGHT is Director of the Webb Memorial Trust and author of *The society we want*

We are stuck when it comes to poverty. Every month a new report describes another aspect of the problem, yet there is little progress towards solutions. A whole industry of academics, think tanks, churches and charities suggest poverty is getting worse. Yet, there is no evidence that anyone pays attention to what they say – partly because persistent repetition of bad news means that people turn off from the problem, thinking that ‘this is too big for me to deal with’.

At the same time, the debate has become ‘angry and fruitless,’ polarised between those who believe that the answer lies in people pulling themselves up by their bootstraps and those who believe that government needs to intervene to raise people’s incomes. The result, according to Julia Unwin, chief executive of the Joseph Rowntree Foundation, is “there is no shared understanding or perspective on poverty, its causes or its solutions.” It is no wonder that we are stuck.

A new study by the Webb Memorial Trust, *The society we want*, suggests a different starting point. Rather than beginning with the problem, we should identify the solution we want and put our efforts into obtaining it. Derived from the perspective of Beatrice Webb, who saw that poverty results from processes of economic management and social structure, the key question is what kind of society do we want?

From the research conducted by the Webb Memorial Trust, it is clear that what people want is very different from

what politicians talk about. In a survey of 10,000 adults, the qualities that people most treasured were social ones such as fairness, security, safety, freedom, compassion and tolerance. Economic indicators mattered far less. From a list of 17 key components of a good society identified in pilot research, the highest economic indicator, ‘well paid work’, was ranked sixth, while ‘prosperity’ came twelfth. In focus groups, it was clear that what people stressed was the importance of relationships in society, rather than wealth, money and power. People want enough to live on and to have a few luxuries but money is not what makes them happy.

The debate has become ‘angry and fruitless,’ polarised between those who believe that the answer lies in people pulling themselves up by their bootstraps and those who believe that government needs to intervene to raise people’s incomes

Poverty is an enemy of a good society. Almost everyone agrees that government should intervene. What divides people is whether state help should extend beyond subsistence levels. Children living in poor areas, however, were clear about what they needed and wrote a manifesto called *Poverty ends now*. This sets out six principles: a minimum standard of living, an equal school experience for all, affordable decent homes for everyone, access



to three healthy meals a day, a feeling of safety at home and in communities, and affordable transport.

The study shows that people feel a big disconnect between the society they have and the society they want. This breeds a sense of powerlessness and a frustration with politicians who seem incapable of developing a narrative of a good society that meets their needs.

The results suggest that we need new perspective, energy and agency if we are to make progress. So, where is positive change going to come from? How can we think about the roles of civil society, business and government in addressing poverty creatively while being mindful of the background realities and finances that constrain what can be done? These are key questions that the Trust will address in the next stage of its work.

THE SOCIETY WE WANT is available to download via www.webbmemorialtrust.org.uk

EXPERIENCES OF POVERTY

Over the last three years, young people from some of the most deprived parts of the country have been working to end child poverty in their communities. Some of these young people, involved in the PEN (Poverty Ends Now!) project (part of the 'Children's voice' section of the work of the APPG on Poverty), developed their own manifesto to end poverty. It outlined their experience of poverty in their communities, as they see and live it. Below, four young people from PEN talk about some of the most important aspects of child poverty as outlined in their manifesto.

A DECENT, AFFORDABLE HOME FOR EVERYONE HUMAIRA GARASIA

Having a secure base allows individuals to flourish in society

I believe housing is really important. Everyone deserves adequate housing and our government must take action in order to provide it. Having adequate housing provides an individual with security and comfort, which contributes to human development because having a secure base allows individuals to flourish in society. Everyone deserves a healthy life and in order to achieve this, housing is the first step. No one deserves to be homeless. That is why I believe housing is important, not just for individuals but for society.

ACCESS TO THREE AFFORDABLE MEALS A DAY UBAH MOHAMED

Three healthy meals a day allows children and young people to develop fully

Equality means having the same status, rights and opportunities as everyone else, but sadly thousands of children living in poverty do not have access to three healthy meals a day. This impacts on the quality of their everyday lives and also their chances of reaching their full potential in the future. Access to three healthy meals a day allows children and young people to develop fully. Every child deserves the best care and support to reach their full potential and I believe now is as good a time as any to make changes to support the next generation.

FEELING AND BEING SAFE IN YOUR COMMUNITY NADINE COSGROVE

If we feel unsafe then we won't join after-school clubs and take advantage of extra-curricular activities

I think it is important that young people should feel safe in the area that they live in. When young people feel unsafe in their community, their confidence and happiness will decline. And it affects our future chances too. Young people's education is really important, but if we feel unsafe then we won't join after-school clubs and take advantage of extra-curricular activities. But it's also about fairness. It is not fair that some young people don't feel safe in their area. Young people should be able to meet up with friends, go out to the shops, join different clubs and many more things, but they can't do these things if they feel unsafe in their community.

AN EQUAL SCHOOL EXPERIENCE KATE PALMER

It is not fair for a child to be penalised for whether they may or may not be in poverty

I think it is important to have an equal school experience for all, as school is a place to learn what is right and what is wrong. We learn valuable life skills and undertake large steps, and school is a big part of that. Sadly, however, an unequal school experience is common. A poorer child may be affected in the future. For example, job opportunities do not come as often. They might not get the chance to learn new things such as learning an instrument which can cost £50-£80 a month, or they may struggle with bullying for not having the 'right' bag or trainers. It is not fair for a child to be penalised for whether they may or may not be in poverty, but we see this too much in our everyday lives.

CONSERVATIVE PRINCIPLES FOR TACKLING POVERTY

RYAN SHORTHOUSE is the Founder and Director of Bright Blue and was previously a Research Fellow at the Social Market Foundation

Conservatives have an uncomfortable relationship with the future. Some just yearn for yesteryear. The more thoughtful are wary of grand plans to change the world, since they often neglect the wisdom in human experience and trample on individual freedom for the sake of a higher goal. As the former Lord Chancellor Quintin Hogg wrote: “Of catchwords, slogans, visions, ideal states of society, new orders, the tinsel and finery of the modern political charlatan, the Conservative would rather die than sell such trash.”

Clearly, a vision of a future without poverty is going to be a difficult sell to conservatives. But modern conservatism – though having a number of intellectual influences – does have certain core values that can be drawn upon to offer ways of reducing poverty in today’s society. As Karl Popper advises, the focus should not be on forging a future utopia, but taking practical steps here and now to reduce human misery.

Conservatives passionately believe in three relevant principles. First, in maximising individual liberty and agency, so more people become – as Michael Gove says – “authors of their own life story”. Second, that rewards in life should be more closely aligned to the contribution a person has made. Third, that true value in life actually comes from looking out from the self and being respectful of, and responsible for, others. As such, the civic institutions that enable this – from the Church to the family – should be nurtured.

The assumption is that increasing

individual freedom unlocks human ingenuity and encourages responsibility, both essential to fighting poverty. Now, of course people have circumstances that make them more likely to face impoverishment: a poor upbringing or living in an area where jobs are scarce. Conservatives are not insensitive to these challenges and want policies to address these. But they do emphasise a greater role for individual effort in overcoming poverty. This is an optimistic and progressive worldview: that, if given the right tools, people can better their circumstances.

The most important tool is education. The link between poor educational attainment and poor labour market outcomes in Britain is particularly acute. Education really is the passport to mainstream society: it provides the skills to find and keep a job, to build and look after a family. The key is to start early. The brain is most malleable in infancy. And since skill formation is complementary, strong foundations are critical. Supporting parents to create an enriching home learning environment and building a high-quality pre-school education system should be priorities. Children should not progress through the school system, certainly not leave it, without mastering the fundamentals at each stage, even if that means normalising mixed-age classrooms.

Individual agency is important but insufficient in tackling poverty. Many people are unlucky and find their circumstances deteriorate through no fault of their own, for example the loss of a job or partner. Nearly one in three of us, in fact, are likely to fall into poverty every eight years. A robust safety net is needed for everyone who falls on more difficult times, particularly as an overwhelmingly majority have contributed

in some way – working or caring – to our society. But for those who have worked for a long number of years, the amount of support they receive in tough times through the welfare system is unsatisfactory. Those with long work records should get more financial support through both the Universal Credit and Parental Leave system.

The focus should not be on forging a future utopia, but taking practical steps here and now to reduce human misery

Despite contributing enormously to Britain, millions of people are paid too little and fall under the official poverty line. Actually, a majority of households in poverty now have at least one person working in it. The very lowest paid deserve a pay rise. It is welcome that a cross-party consensus is developing on increasing the minimum wage significantly but sensibly, and for the Living Wage to be adopted by more companies.

Conservatives evidently do see a role for the state in supporting people. Nevertheless, especially considering the fiscal constraints, there are limits to what it can achieve, just as there are limits to what individual effort can accomplish. We need a partnership approach to reducing poverty, involving the state, individuals, businesses, the wider family and civil society.

So we might enable families to better support one another by extending parental leave to grandparents or incentivise savings so different generations of families support one another. Equally, we need to build universal institutions – where people from different backgrounds come together and forge meaningful relationships – to reduce social exclusion, a modern-day ‘giant evil’ to add to Sir William Beveridge’s list. Really, this is what the Prime Minister called the ‘Big Society’. Reducing poverty is not just the responsibility of the state or the individual; it is the responsibility of us all.

THE LIMITS OF UNIVERSAL CREDIT

ALISON GARNHAM is Chief Executive of Child Poverty Action Group, a campaign group for the abolition of child poverty in the UK

Since 2010, the Government has overseen an ambitious, large-scale programme of income redistribution. From poorer to richer groups.

That's the striking conclusion to be drawn from the most comprehensive analysis to date of the Government's social policy record published recently by the LSE and the universities of Manchester and York.

The prevailing narrative has been that benefit cuts have been forced on the Government by the overriding need to reduce the deficit; that there is no alternative. But *The coalition's social policy record: policy, spending and outcomes 2010-2015* makes clear this isn't the case: "Almost all of the savings achieved by cutting benefits were offset by gains for richer groups. Given the Chancellor's emphasis on the centrality of cutting 'welfare' to reducing the deficit, this will be a surprising finding to many people, but reflects in particular the very large cost of raising the income tax personal allowance."

All this is the antithesis of 'we're all in it together'. The low paid, the disabled and children have had their living standards lowered and life chances damaged to fund tax rises for the better off, not deficit reduction. Not surprisingly, the Institute for Fiscal Studies projects the number of children living in poverty will rise from 2.3 million in 2010 to 3 million by 2020.

Universal Credit, the Government's key poverty-reducing policy, is supposed



to be a shining light on this bleak horizon but the prospects for its success have undoubtedly dimmed in the past couple of years.

Much of the scrutiny of Universal Credit has been on its delays and IT difficulties. To some extent that's perfectly understandable. But the really big question is: will Universal Credit deliver on its promise to strengthen work incentives and reduce poverty?

A future without poverty isn't going to happen by itself. It will require tough choices from any future government

Universal Credit supporters point to two design features which should help. First, the work allowance enables claimants to earn a set amount before benefits start being reduced. The larger this amount, the stronger the work incentive. Second, the

unified taper of 65% ensures that when benefits do start being withdrawn then this happens in a straightforward and easy to understand way.

But both of these features are much weaker than originally intended. The value of the work allowance has been cut in real terms in repeat raids by the Treasury. The unified taper is also less generous than originally planned and can no longer be said to be unified now that council tax benefit has been localised. As the Public Accounts Committee has pointed out, this has meant that some claimants facing effective tax rates of more than 90%, much higher than Universal Credit promised.

A future without poverty isn't going to happen by itself. It will require tough choices from any future government. But choosing to protect the childhoods and life chances of children in low income families isn't a tough choice; it's one of the most fundamental obligations we have to our children.

WORK-BASED SOLUTIONS TO POVERTY

PETER FRANKLIN is Editor of the *Deep End* on *ConservativeHome* and a contributor to *The Times*

A long-term decline in public support for welfare dependency has, along with fiscal necessity, solidified the political consensus in favour of work-based solutions to poverty.

Further reinforcement has come from the extent of Britain's jobs-led recovery. In particular, the rebalancing from public to private sector employment has created the hope that a structural shift from welfare-to-work is also achievable.

However, it must be stressed that the fall in the unemployment rate, though rapid, has yet to completely reverse the rise that followed the financial shocks of 2008. To achieve a true welfare-to-work revolution, we need to see the unemployment rate fall even further.

To achieve this goal we need to consider two sets of factors: The 'push' factors are a familiar part of the debate – for instance, the tax and benefit reforms required to provide people with the incentive to work and the education and training reforms to give them the ability to do so. Not as familiar are the 'pull' factors – i.e. if we want to draw significantly greater numbers of people from welfare dependency then opportunities for ordinary working people must also expand.

By "ordinary working people," I mean those in the middle of the income spectrum, i.e. those on median earnings or thereabouts. As argued in the *ConservativeHome manifesto*, opportunities for this pivotal group are shrinking in respect to key indicators such as home ownership,



wage levels and household savings. The rot set in many years before the credit crunch and the ensuing financial crisis – and represents a reverse to a previous century of economic liberation.

While this is no excuse for not pushing people out of long-term worklessness, to push them into a group for whom opportunities are stagnating is to row against the tide.

To achieve a true welfare-to-work revolution, we need to see the unemployment rate fall even further

How to restore the fortunes of ordinary working people is explored at length in the *ConservativeHome manifesto*. However, it is worth touching here on the areas of conflict between the otherwise complementary goals of increasing opportunity in the middle of the income spectrum and reducing poverty at the bottom.

A particular problem is the official

definition of poverty – which sets the poverty line at sixty per cent of median household income. As Adam Smith once argued, relative conceptions of poverty are entirely justifiable. However, to define poverty in such a way that it is officially 'improved' by the stagnation of middling incomes is deeply unhelpful.

To compound matters, the use of the median to define the earnings of ordinary working people also has an unfortunate statistical side-effect. By definition, the median is dragged down by getting large numbers of people off welfare and into work. Something that is clearly a policy success thereby appears to be a policy failure.

Both the poverty line and the median wage level are, of course, attempts to discern deeper, more complex, truths about social exclusion and the opportunities available to working people. A mature political culture would accept that statistical measures can only do so imperfectly. Unfortunately, our political culture is not mature, which is why we need to rethink the headline indicators.

IT'S ORGANISATIONS THAT CREATE POVERTY, NOT PEOPLE

DELROY CROSBIE is Facilities Co-ordinator at Only Connect, a creative criminal justice charity

The average person would be so surprised by who comprises homeless people and squatters in the UK. It is women: whole families are now squatting. It is employed people: people who just can't afford to rent. In fact it is mostly employed people – in a squat of fourteen people, ten were employed. I was the only one who could tell my employer that I lived in a squat. For big employers, people just can't tell their employer they are in trouble. They are afraid that they will lose their job. I used to know a guy who slept outside Paddington station. Every morning for four years he'd go to the baths in Porchester Gardens and on to his job at a solicitors. No one there knew he was sleeping rough. It took him four years to get the money to get a place.

I've squatted on and off for twenty years. In my experience, people are great. People are kind and good and will support you. Drivers for big bakeries leave leftover pastries out for homeless people. People will stop and see if you are ok if you are on the street. At Christmas, I was squatting in Richmond. We got three turkeys from the skip outside the supermarket. They were in date – I'm sure that they were left out by an employee.

It's companies and organisations that make it hard for you when you need help. The rules are put in place to look after their properties and money, not to help people. This is something you don't realise unless you need help. Having no money means that everything is a little bit more difficult.



Imagine you have no money; say you've lost your job. To get a place to sleep you have to deal with the job centre, the housing office, the council. You have to go to appointments at all of these places and if you are five minutes late because you didn't have money for the bus you get your benefits sanctioned or you are put at the bottom of the list.

It's companies and organisations that make it hard for you when you need help

Even with a job, you still have to attend all of these appointments to get housing – and try explaining that to an employer. You might be moving around a lot, so you can't get contracts and you have to get pay as you go phones which are more expensive. You can't buy a travelcard so you have to pay as you go which is more expensive. I know a couple who squat

who used a payday loan to pay their rent. They couldn't afford that and ended up squatting. Now they can't rent because they have bad credit. It's a cycle.

Now imagine you have money, and a good credit record. You go and see a property. If you like it, you rent it, or buy it. No one can come and move you on. You can paint it. You can unpack. You can put your children in school and know you'll still be there at the end of the year. That's what money is, security.

But it doesn't stop with money. What we need is a system which doesn't just focus on someone's past. If you have a criminal record, you can't rent a house. If you have had bad credit in the past, you can't rent a house. I know people who are squatting – they have money, but no one will rent to them because of their history. They are clean, employed, but not given a chance. We need councils and companies to think more like people, because people are good.

TACKLING POVERTY: THE CENTRAL ROLE OF TAX AND BENEFITS

ANDREW HARROP is General Secretary of the Fabian Society

Over 100 years on from the Royal Commission on the Poor Law, the political debate on poverty is stuck in a time-warp – and the view of poverty as a structural economic problem, not an issue of individual circumstances and behaviour, is no nearer to prevailing.

Indeed Beatrice Webb's argument in the commission's 1909 *Minority Report*, that poverty is an economic failure, seems to be losing ground. Compared to a decade ago, debates dwell much more on social than financial dimensions of poverty, and the welfare reform agenda fixates on creating new nudges, incentives and sanctions to cajole individuals to change.

Except in retirement. For when it comes to pensioner poverty, the policies of both Labour and Coalition governments have had the same 'structural' take. Both administrations recognised that poverty in later life can and should be prevented, first by reviving a tri-partite private pension system that works for low income groups; and second by creating a strong state pension which distributes money across

generations, with payments rising in line with national prosperity.

As a result, pensioner poverty has declined very sharply and may fall further in coming years. By contrast poverty for children and non-pensioner adults is set to rise significantly in the next decade, according to projections in a new Fabian report *Inequality 2030*. We fear there could be 3.6 million more people in poverty in 15 years' time.

The disparity in the long-term prospects for pensioners and everyone else arises largely because of the different ways we view their poverty. When it comes to working life, politicians ignore the plain truth that decent living standards depend on the structure of our economy – on *both* good market outcomes *and* support from the state. Benefits and tax credits are not a temporary safety-net to fend off personal misfortune, they are a central part of the economy, just like the state pension.

Even on the left it is often implied that, for people in work, tax credits and housing support are somehow illegitimate, rather than inevitable and essential tools for preventing poverty. And people out of work on benefits are derided and stigmatised,

even though most are disabled, caring or looking after young children.

Benefits and tax credits are not a temporary safety-net to fend off personal misfortune, they are a central part of the economy

The Fabian research shows that by far the largest influence on the extent of poverty is the structure of the tax and benefit system. In particular, we show that if politicians chose to redistribute an ever smaller share of our national prosperity to low income families, then more people will live in poverty: it is a simple question of maths. However this is the intent and effect of current government policy and the Labour Party has not said it will alter course.

Our report presents an alternative. We propose a major programme of labour market reforms to boost employment and increase low wages. Alone this is nowhere near enough to crack poverty; the critical step is to *recycle* the government revenues generated by these market reforms back to low income families. We propose a new Prosperity Fund to do just that, in a way that places no extra burdens on the public finances.

Poverty before retirement can be solved in a full employment economy, but only if the structure of the tax and benefit system is designed to ensure that low income families, just like pensioners, can share in rising national prosperity.

INEQUALITY 2030 by Andrew Harrop and Howard Reed was published by the Fabian Society in February.

www.fabians.org.uk/publications/inequality-2030



THE NEW FAULT LINE BETWEEN THE YOUNG AND THE OLD

PHILIP COLLINS is a Columnist at The Times and is the Chair of Trustees at Demos

The puzzle of British politics is explained by the elderly. Even when austerity ends, the state will spend £714 billion of our money. That will be 38 per cent of national income which is the same share as it took in 2001. Yet, back in 2001 services did not feel perpetually beleaguered and under-funded. They do now and the reason is that pensions and the NHS, which is largely a service for the elderly, are eating up all the money.

This is not because the elderly generation have in any way purloined the money. Indeed, having worked all their lives most elderly people are perfectly justified in feeling their retirement is the reward for their contribution. It is simply that a large cohort has grown old and we have been paying benefits that, as a nation, we cannot quite afford. The economist John Hills has shown that people in their 80s get £10,000 worth of services compared with £2,000 worth for people in their 40s.

Before lamenting the problem this causes, it is worth pausing to reflect that it was once the case that a pensioner was more likely than a non-pensioner to be poor. It is an unheralded success of British social policy that this is no longer true. Nobody wants to threaten this success and impoverish the old. However, there is no doubt that the political weight exerted by a large generation is now a problem. The government is, in a word, scared of the elderly. A new fault line, between the young and the old, is slowly replacing that

between the rich and the poor.

Since 1979 pensioner benefits have tripled in value. The over-60s now take a third of all benefits. In *The Pinch*, David Willetts pointed out that the generation born between 1956 and 1961 will take from the welfare state 118 per cent of what they put in. This coalition government has accelerated this trend. The basic state pension has been locked three times over with a guarantee that it will be uprated every year at whichever is the highest: CPI inflation, 2.5 per cent or earnings growth.

A new fault line, between the young and the old, is slowly replacing that between the rich and the poor

The slow domination of the elderly will lead to poverty and problems elsewhere. The Office for Budget Responsibility's projections of spending growth on the

NHS and on pensions are alarming. They lead to apocalypse in the Department for Communities and Local Government. They lead to the closed sign going up on the door of the Department for Environment, Food and Rural Affairs. Transport will run slow and Business will not carry on as usual.

The same will happen out in the country. If we thought it vital to educate the nation better we would spend the marginal pound on the child in the classroom rather than the grandfather in the hospital. This is exactly what we would do in any family. The welfare state is the way we transfer obligations that were once discharged in the family on to the state. Yet most families would make a priority of their young. In the collective family of the state, it is the elders who hold the whip hand. Not for the first time, we have solved one problem by creating another. There is no question that, even though we work longer than many nations, we still do not work long enough.



OVERCOMING LONELINESS

HANNAH PEARCE is Head of Public Affairs at Age UK, a charity that works with and for older people in the UK

To paraphrase: happy people are all alike but every lonely person is lonely in their own way. And because loneliness itself is complex, it is hardly surprising that it has proved very difficult to address. But Age UK has been grappling hard to understand loneliness and how to overcome it.

Over a million older people say they always or often feel lonely and almost half of older people say that the television or pets are their main form of company

Levels of loneliness have remained relatively constant over recent decades – around 10 per cent of those over 65 experience chronic loneliness at any one time. But as our society ages, the absolute number of individuals feeling lonely has increased. Today, over a million older people say they always or often feel lonely and almost half of older people say that the television or pets are their main form of company.

Not all socially excluded people are lonely and not all lonely people are socially excluded. Yet the overlaps are large and important and we can say that broadly speaking the risk of social exclusion increases as we age, as does the risk of loneliness.

The older someone is, the more likely they are to become severely socially ex-

cluded. The over 80s are more than twice as likely to be severely excluded as those who are ten years younger and the risk of severe exclusion is twice as high for older people from ethnic minority backgrounds as it is for white older people. Our previous research on 'severe exclusion' identified 4 groups of particular concern: people who are over 80 and living alone, people who are recently bereaved, people who are living in unfit housing and people who have limited capacity to make their own decisions. And another Age UK report confirmed the trend that people are more likely to become socially excluded as they age and also noted that the number of older people being socially excluded from decent housing, public transport and local amenities had risen sharply. Poverty is a major factor and the 1.6 million pensioners living below the poverty line – of whom 900,000 in severe poverty – are at high risk of social exclusion. But whilst wealth is a key factor in determining whether people are at risk from social exclusion, disadvantage is about more than being poor and gender, race, health, caring for someone or being bereaved are also significant.

Another overlap between isolation and loneliness is the importance of gateway services, such as transport and technology, and the potential benefit arising from 'structural enablers' such as neighbourhood approaches, asset based community development and volunteering.

A recent report by Age UK *Promising approaches to reducing loneliness and isolation* (produced jointly with the Campaign to End Loneliness) set out a new framework for loneliness interventions, but could also be of value in tackling



exclusion. While there is growing public attention to loneliness in later life and an accompanying shift in our understanding of its impact on our health and wellbeing, there is currently a knowledge gap among funders and commissioners about what really works to address it, as loneliness is personal and one size will never fit all. The report reflects the full range of existing initiatives which show promise in tackling loneliness and it is intended to guide commissioners and funders of services that support older people to identify the areas of need in their communities, support service providers in the delivery of more effective loneliness interventions, and shape future research so that our understanding of loneliness continues to grow. The report describes a range of examples from around the country, demonstrating the many, varied solutions needed for an effective response to a very personal problem.

Addressing social exclusion is necessary, but not sufficient: interventions must also recognise each individual experience of loneliness. We must ensure that loneliness does not have to be an inevitability of growing old.

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