

WHAT DID LABOUR REALLY DO FOR US?

END POVERTY

What was delivered?

The UK's last Labour government had high aims and achieved mixed results, argues **John Hills**. Below, he sets out who benefited and who did not.

When Labour took power in 1997 it inherited an historically low level of public spending – just under 40 per cent of GDP. This was also low by international standards, where the UK stood as the 14th lowest social spender out of 15 EU countries, and 22nd of 28 OECD countries. At the same time, levels of poverty and inequality had risen to unprecedented post-war levels.

Faced with these problems, and an economic climate of growth that (until 2008) contrasted sharply with the subsequent “Great Recession”, Labour outlined a set of ambitious, but selective, social policy goals around health care, education, worklessness and children’s early years. Child poverty was to be halved by 2010, then reduced to being “amongst the best in Europe” by 2020. Pensioner poverty was to be ended, but with no timetable set. Within 10 to 20 years no one was to be “seriously disadvantaged” by living in a deprived neighbourhood. The ambition was “to give everyone the chance, through education, training and work, to realise their full potential and build an inclusive and fair society and a competitive economy”.

Trying to do this cost a lot of money. In real terms, total public spending rose by 60 per cent during the period, from £449 billion in 1996-97 to £725 billion in 2009-10. In parallel, however, national income (GDP) also increased – by 30 per cent from £1,138 billion to £1,530 billion – meaning that public spending as a proportion of GDP rose less steeply. Up to the crash, overall public spending levels were unexceptional by historic UK and international standards – just under 41 per cent of GDP in 2007-08 – but with social spending taking a greater share. However, with the sudden fall in GDP as a result of the 2008 crash and continued spending, total spending rose to more than 47 per cent of GDP in 2009-10.

The main focus of our Cold Climate programme, in relation to Labour as it will be in relation to the coalition government, has been to look at what was actually delivered in terms of schools, hospitals, cash benefits and other concrete services. But even more important is to assess how these changes and investments have affected the quality of people’s lives. Did they live longer, were they healthier, did more poor children gain good educational qualifications, were there better nurseries and childcare services to give children a better chance in later life?

Pensioners and children were the main beneficiaries from cash transfers, such as tax credits and social security benefits. More than half of the increase went to pensioners. Nearly all of the rest went on spending aimed at children. Spending on cash benefits for other working-age people fell in real terms until the crash.

Relative poverty rates for different population groups converged (see graph). As a result, pensioner and child poverty rates both fell, converging on the rates for people of working age (which rose for those without children). Perhaps as important but less often noticed, Labour’s policies also had the effect that incomes became “smoother” over the life cycle, reducing differences in incomes between typical (median) members of each age group – cutting differences from the overall median by a third over the period. The largest gains went to children and pensioners, so incomes became much flatter over the life cycle.

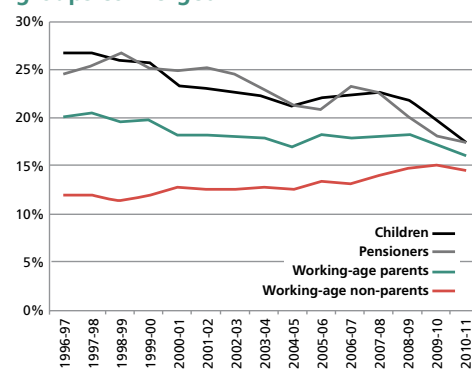
Overall, however, most of the extra spending went on improving services, not on benefits. For example, in health there was a major programme of investment and reform, including a new NHS building programme and extra nurses and doctors. Efforts were concentrated on cancer, heart disease and stroke, and on the reduction of waiting times for appointments and treatment.

Schools received 48,000 extra FTE equivalent teachers (11.9 per cent) and the number of support staff more than doubled, with over 133,000 extra teaching assistants and 96,000 extra other support staff. A new school buildings programme, designed to replace or upgrade the entire stock of secondary school buildings within 15 years, saw over 160 schools rebuilt or refurbished between 2004 and 2010, with more than 450 underway.

From 1998 all four-year-olds were given the right to 12.5 hours per week free education for 33 weeks of the year. This was extended to three-year-olds in 2004. By 2010, free provision had been extended to 15 hours per week for 38 weeks per year. In public housing, 90 per cent of social housing was brought up to a “decent” standard.

As a result, 48 of the 59 key indicators set out in Labour’s 1999 Opportunity for All framework had improved by 2010, including many of those indicating

Poverty rates for different population groups converged



Source: DWP Households Below Average Income analysis. Figures show proportions of each group with incomes below 60 per cent of contemporary median income in each year before allowing for housing costs



a narrowing of inequalities. For instance, infant mortality fell and gaps closed, and there were big reductions in mortality from circulatory disease and cancer. Employment rates among lone parents improved. Fewer women drank or smoked during pregnancy and more mothers breastfed for longer, particularly among lower socio-economic groups. In education, results in national tests at 11 and 16 showed substantial improvements. Few left school with no qualifications by 2010. More stayed on at school after 16 and went into higher education. Socio-economic gaps in attainment closed on nearly all indicators – gradually at age 11 and more dramatically at age 16.

But in some areas there was little progress. There were increases in the life expectancy gap between the areas with the worst health and deprivation and the England average. Obesity continued to increase. The socio-economic gap closed only very slightly among those achieving five GCSEs including English and maths. The gap in educational outcomes between looked-after children and their peers widened.

Poverty for working-age people without children rose. There was no real change in overall levels of income inequality. Wage inequalities grew and disparities in regional economic performance persisted.

So what did we conclude? Contrary to popular belief, Labour's policies were not dominated by increased cash benefits but by reinvestment in and "modernisation" of public services. But Labour's agenda was expensive. Its spending increases were high by international comparison, but they started from an inherited historically low level. Also taxes did not rise as much as spending, increasing the budget deficit and public sector net debt. Both, however, were still lower in 2007-08 than when Labour took office. The big increases came with the economic crisis, not as a result of earlier social spending.

In summary, it was not, as some claim, that Labour spent a lot and achieved nothing. Rather it did spend a lot, but it also achieved a lot.

Looking forward, on the one hand the coalition government took office with a better social inheritance

than Labour – with more equal outcomes on many measures, less poverty and expanded public services. On the other it faces a much tougher economic and fiscal climate, and has embarked on a very different set of policies. Our 2015 report will look at how it fared over the period 2010 to 2014. ■



John Hills is Professor of Social Policy and director of the Centre for Analysis of Social Exclusion at LSE.

This work, with colleagues in LSE's Centre for Analysis of Social Exclusion (CASE), is a prelude to a similar analysis of the impact of the current coalition government's social policies up to 2014. Both analyses form part of CASE's Social Policy in a Cold Climate programme. Social Policy in a Cold Climate papers, and links to the underlying data, can be found at http://sticerd.lse.ac.uk/case/_new/research/Social_Policy_in_a_Cold_Climate/Programme_Reports_and_event_information.asp

ALUMNI VIEWPOINT



Financial crisis, calamitous foreign policy and vicious in-fighting have obscured memories of the last government's impressive social and economic achievements. The CASE appraisal of New Labour's social policy record is an essential corrective and was a great resource for the recent Fabian Society Commission on Future Spending Choices.

The study's central message is that Labour spent a lot, but also achieved a lot with the money, contradicting the popular idea that huge sums were wasted. Of course more could have been done to achieve value for money, but the latest official numbers show that public services became more productive in the 13 years Labour was in government. This demonstration of the good that public spending can bring is not just of historic interest, because it sets the scene for arguments about expenditure for the rest of this decade.

The CASE project also shatters a few myths about spending under Labour, by showing that social security did not rise as a proportion of national income and that the welfare state got better at distributing resources across our lives, not just from rich to poor. This trend is continuing under the coalition, with

protected NHS and pension spending making British public spending more skewed towards "universal" spending, especially in old age.

The CASE appraisal also demonstrates the importance and the challenges of measurement in social and economic policy. On the whole, Labour was most effective in fields where it set explicit and measurable goals that were fairly amenable to national government intervention. Examples include relative poverty, health-care waiting times and university participation. But there was little progress on issues which were not official priorities, such as preventing rising wealth inequality or the stagnation of median pay. People like to criticise Labour's top-down target culture, but it often worked. Future governments need to find ways to measure and set goals without resorting to the excesses of New Labour centralisation.

Andrew Harrop (MSc Political Theory 1999) is General Secretary of the Fabian Society. The Society was one of the original founders of the Labour Party and is constitutionally affiliated, but is independent of it editorially, organisationally and financially. LSE was founded by Fabians in 1895.