

The Perfect Storm:

Economic stagnation, the rising cost of living, public spending cuts, and the impact on UK poverty

www.oxfam.org.uk



Micky works part-time as an administrator for a local charity. He's on the minimum wage and struggles to make ends meet, having a weekly budget for food of £15. Despite his vast experience – he has run a business and worked in management for a supermarket chain – he cannot find a permanent job that pays. Photo: Mora McLagan/Oxfam

The combination in the UK of economic stagnation and public spending cuts is causing substantial hardship to people living in poverty. This amounts to a 'Perfect Storm' of falling incomes, rising prices, public service cuts, benefit cuts, a housing crisis, and weak labour rights. By making different political choices, the government can both protect people in poverty and help to stimulate economic recovery in the short term, and set the UK on the way towards economic, social and environmental sustainability in the long term.

1 Summary

Introduction

The UK is facing a set of serious, interlocking challenges. The economy is stagnating, unemployment is increasing, prices are rising, incomes are falling, and spending on public services is being cut back rapidly.

In this paper, Oxfam has taken its experience of working with partner organisations across the UK and the stories of individuals with whom those partners work, together with a wider analysis, to outline the reality of these challenges for people living in poverty.

For the 13.5 million people who currently live in poverty – a fifth of the population – the combined impact of all these challenges is creating a ‘Perfect Storm’ that is pushing already fragile livelihoods to breaking point.

‘We are seeing people on a daily basis who have not got enough money to feed themselves or their children adequately.’

Feedback from Community Links focus group, 2012

Background: the reality of poverty in the UK

The UK is the sixth richest country on earth, yet one in five of its people lives in poverty. Before the financial crisis and the economic recession, prosperity was not shared. The UK is one of the most unequal rich countries in the world, with the poorest tenth of people receiving only 1 per cent of total income, while the richest tenth take home 31 per cent.

The risk of poverty is not one that is shared equally across society. Twice as many people from ethnic minorities live in poor households compared with white people; women are more likely than men to live in poverty; and, geographically, there are substantial inequalities both between and within the regions and nations of the UK.

Poverty in the UK is about material deprivation: for example, more than a fifth of UK households (5.5 million or 22 per cent) are affected by fuel poverty, and inadequate heating results in thousands of unnecessary deaths each year. But it is also about life and death: premature deaths caused by health inequalities in England each year lead to the loss of between 1.3 million and 2.5 million extra years of life. And people living in poverty have to face stigma and prejudice, and a lack of recognition for the positive, non-financial contributions they make to society.

‘What worries me, and scares me sometimes, is that there are so many programmes about benefit cheats and scroungers, and the labelling you get because you are someone on benefits.’

Sandra, Salford

The 'Perfect Storm' and its impact on poverty

'Just because people are not screaming, it does not mean that people are not desperate. It does not mean there isn't a crisis.'

Bal Athwal, worker at the Bradford Resource Centre

Since the economic crisis of 2008, those already in poverty have seen their poverty deepen, and millions more have become increasingly vulnerable. A combination of economic stagnation, the rising cost of living, benefit cuts, falling incomes, rising unemployment, and public service cuts add up to a Perfect Storm for the millions already struggling to make ends meet.

The Perfect Storm is already affecting partners with whom Oxfam works in the UK, with increased demand on their services, just as the resources to provide that support are being withdrawn. The coping mechanisms of people living in poverty have included increasing debt, more people relying on food parcels, and women acting as 'shock absorbers', managing budgets and debt and going without in order to ensure that their families have what they need.

Rising unemployment and declining incomes

Average earnings shrank by 4.4 per cent last year. Incomes of the directors of FTSE 100 companies rose by 49 per cent.

'I've been unemployed before and it's only ever taken three months to find work. Now, I've been looking for full-time work for ten months. It took me a long time to even get any interviews.'

Christina, Bradford

Incomes are decreasing across most of society due to a combination of rising unemployment (particularly youth unemployment), involuntary part-time working, pay freezes and cuts, and cuts in benefit levels. This is causing the biggest real terms fall in incomes since the mid-1970s. While real wages are falling for the majority and the National Minimum Wage has fallen over the past four years, rewards at the top have raced away: last year, earnings of directors and chief executives went up by 15 per cent, and those of directors of FTSE 100 companies soared by 49 per cent.

Falling incomes and rising inequality are part of a longer-term trend. In the decade to 2008/09, 40 per cent of total income growth in society went to the richest tenth of people, and a decreasing proportion of gross domestic product (GDP) has gone to wages. It is predicted that, on current trends, the UK will rapidly return to levels of inequality not seen since Victorian times.

The increasing cost of living

Food prices have risen by 30.5 per cent in five years. The National Minimum Wage has risen by 12.1 per cent in the same period.

'I always worry when I make a dish that it might not be enough. And if a friend should appear with my children at dinner time, they're always welcome – I give up my plate.'

Jean, Glasgow

Prices have risen rapidly, particularly in 2008 and 2011, even as the economy has stagnated. This inflation has been driven by food and fuel prices, both of which account for a high proportion of the spending of people living in poverty. In addition, people living in poverty have to pay more than rich people for basic necessities such as gas, electricity, and banking. This 'poverty premium' is estimated to cost them an additional £1,170 a year. Finally, tax rises under the coalition

government, such as VAT, have been regressive, thus affecting people living in poverty more. The poorest 10 per cent pay twice as much of their income in VAT as the richest 10 per cent.

The Institute for Fiscal Studies (IFS) has calculated that, between 2008 and 2010, the poorest fifth of households experienced an inflation rate of 4.3 per cent, against 2.7 per cent for the richest fifth. The Joseph Rowntree Foundation estimates that the cost of achieving a Minimum Income Standard – a minimum standard of living, based on a broad survey of what members of the public think constitutes the basic requirements of life – has risen by 43 per cent over the past decade, compared with 27 per cent for general prices.

Public service cuts

Spending cuts hit the poorest tenth of the population 13 times harder than the richest tenth.

The government plans to achieve the majority of its deficit reduction programme through public spending cuts. Poorer people rely most on public services, and spending cuts are estimated to hit the poorest tenth of the UK population 13 times harder than the richest tenth – with planned reductions to public services being equivalent to more than a fifth of their income being taken away. These cuts mean less health care, reductions in social care, and the loss of hundreds of smaller services such as counselling support, care homes, school crossing patrols, and youth clubs.

Cutting public spending has a particularly strong impact on gender equality, with women more likely to be reliant on public services than men. Cuts to the Sure Start programme in England (while the equivalent in Wales, Flying Start, is being protected by the Welsh government), and the thinner spreading of cash support for childcare support under Universal Credit, will particularly affect women.

Public service cuts also have an impact on unemployment. Public sector employment levels are in steep decline, and women form the majority of public sector employees.

Welfare reform and benefit cuts

Seventy-two per cent of the benefit cuts announced in 2010 will be paid by poor women.

One of the largest contributions to spending cuts has come from reductions in benefits for working-age people, accounting for £18bn per year by 2014–15. According to the House of Commons Library, 72 per cent of cuts announced in the 2010 Emergency Budget will be met from women's incomes, against 28 per cent from men's.

The introduction of Universal Credit will simplify the benefits system, making it easier for people currently on benefits to transition between unemployment and work. Yet, just as the system is simplified, so eligibility is being tightened for many claimants.

'There are too many cuts in Manchester, and there are too many places closed down, so I don't have many places left to go. Since all these cuts have affected me, I've actually relapsed with my mental health.'

Bridget, Manchester

'[On benefits] you don't get enough to live on. £65 or £67 a week, for an adult, is not enough. Sometimes I think, "I am a single person and I struggle, what about families of six kids?"'

Jo, unemployed, Bradford

These changes are increasing the demands on support services, including those of Oxfam partners. They also create severe hardship: the Trussell Trust food bank network reports that two people out of every five receiving food parcels do so as a result of benefit changes or delays.

Housing crisis

The number of Housing Benefit claimants in work more than doubled between November 2008 and February 2012.

Before the recession hit, there was an acute housing shortage. There were 1.77 million households in England on social housing waiting lists in 2008, and 489,400 households living in officially overcrowded homes. Government targets for the building of new homes have been missed, with construction slowing to a crawl since the recession.

The cost of housing has continued to rise in spite of the recession in both the private and social rented sectors, with average rents at record highs and homes unaffordable in more than half of English local authorities. Newly homeless households increased by 18 per cent in England between 2010 and 2011.

Reforms to social housing are not only increasing rents, but also reducing security of tenure. Above-inflation increases in private rents have been compounded by cuts to housing support, even as the need for that help spreads. The number of Housing Benefit claimants in work more than doubled between November 2008 and February 2012, whereas the number of claimants out of work rose by only 9.3 per cent.

The human cost of scarce and expensive housing is stark. Family life is affected, with people forced to delay having children, or to live away from the support of grandparents, while the cost of housing is forcing millions to cut back on other essential spending, including food and heating, and pushing many into debt.

Weak labour rights

Since the recession started, 830,000 permanent full-time jobs have been lost, and half a million new part-time jobs created. The number of people in temporary work because they cannot find a permanent job has risen by 73 per cent. The UK has weaker protection for those in work than Mexico.

For a substantial minority in the UK, work is characterised by insecurity, uncertainty over hours, underpayment, a succession of short-term jobs, or a combination of these. There are estimated to be two million 'vulnerable workers' in the UK; decades of deregulation for employers mean that the UK now has the third lowest level of employment protection legislation in the OECD – below Greece, Turkey, and Mexico – and the highest number of zero-hours contracts in Europe (contracts in which a person is required to be on call for work, but has no guaranteed hours of work and is only paid for the hours they do work); and women are in the most precarious and vulnerable work.

Right now, the loose labour market and the shortage of jobs mean that

'It [the housing benefit cap] fills me with dread and I've tried to move to a flat instead of a house which is about £50 cheaper per month, but no one will touch me because I'm a [social] housing tenant. So when these changes take place, I will have to end my contract here and probably go homeless – they aren't leaving me with any choice.'

Single mother, London

'My life has not been stable because I cannot find a permanent job. I work whenever it is available. I have to push hard to make sure I have a sensible amount of hours for the week – I have no guaranteed work, it is all ad hoc. The organisation I work for does not commit itself to give me work.'

Stella, single parent and care worker, lost her permanent job as a housing support worker

more power rests with employers, and more people are being forced to turn to insecure work, with few rights – or to waive the rights they do have – just to survive. The number of ‘frustrated part-timers’ – those who want and need full-time work – is at a record high, which is particularly significant as such work is generally low-paid and less secure. A very high proportion of jobs created since the first recession have been part-time, and one in three is a temporary job.

Responding to the Perfect Storm

The need for a new approach

The government’s rapid deficit reduction measures are hitting the livelihoods of almost everyone in the UK, but the particular approach taken is hurting people living in poverty the most. The focus on cutting public spending rather than raising taxes is deeply regressive, and the blend of tax increases chosen is itself regressive. In addition, both public spending cuts and the tax and benefit changes introduced by this government will have a significantly more negative impact on women than on men.

At the same time, we are seeing a synergy of economic and social needs. Protecting the incomes of the poorest people is crucial for both social and economic reasons. It is people on low incomes who are being hurt the most by the Perfect Storm, and increasing the incomes of the poorest will have the strongest multiplier effect on aggregate demand in the economy. By prioritising and targeting social and economic investment, the government can ensure that it protects the services upon which those in poverty most rely, while helping to boost demand and provide investment in the long-term productive capacity of the economy.

No return to business as usual

The UK’s economy and society, as currently constituted, are unsustainable – economically, socially, and environmentally. We need a people’s bail-out to protect the millions in poverty and the millions more who are increasingly vulnerable. But we also need to ensure that there is no return to business as usual.

Protect the incomes of the low-paid

Protecting the incomes of the poorest people is a clear priority, and will help to stimulate demand in the economy. In the long term, action to reduce pay differentials within businesses, public authorities, and wider society can help to protect the incomes of those at the bottom, as well as helping to reduce inequality.

To ensure that incomes for those in work are maintained:

- **Cuts to working tax credits should be reversed;**

- **The withdrawal rate for Universal Credit should be reduced from 65 per cent to 55 per cent, to ensure that the principle that work should pay is realised in the new system; and**
- **The National Minimum Wage should be increased automatically at least in line with inflation or average earnings, whichever is the higher.**

Protect people in poverty from the increasing cost of living

To protect people living in poverty from high energy prices, **the government should give the energy regulator, Ofgem, new powers to cap prices and eliminate excess profits.**

To protect people who are forced into debt by high prices, the government should:

- **Introduce a maximum level of interest; and**
- **Ensure that access to the Social Fund is maintained for those on very low incomes, and that its resources are expanded to meet increased demand.**

Reduce public service cuts

In the short term, by changing the ratio of spending cuts to tax increases, the government can protect services by reducing the speed and depth of cuts. To protect services for the longer term, it can invest in services that create jobs and increase long-term growth.

As an immediate step, the government should:

- **Slow the speed and depth of public service cuts by increasing progressive taxation instead;**
- **In particular, protect Sure Start services by reinstating the ring-fence to the Sure Start grant to local authorities in England; and**
- **Explore investing in a national system of universal child care.**

Protect the social safety-net

In the short term, the incomes of the poorest people should be protected. In the longer term, overcoming poverty and creating a sustainable economy will require social protection that provides enough to live on, but which also acts as a springboard towards employment and progression.

In the short term, the government should protect the level of out-of-work benefits by:

- **Ensuring that local authorities in England have sufficient resources to maintain existing levels of Council Tax Benefit,**

following the examples of the Scottish and Welsh governments;

- **Monitoring the effect of the Housing Benefit and overall benefit caps and reviewing them in light of social impacts; and**
- **Ending stealth cuts to benefits by reversing the switch in uprating these from the Retail Price Index (RPI) to the Consumer Price Index (CPI) measure of inflation, to protect benefit levels for those in or out of work.**

To protect the incomes of women both in and out of work, who have been hit particularly hard by cuts to benefits:

- **Child Benefit levels for those on low and middle incomes should be maintained through a reversal of the freeze to 2014; and**
- **Cuts to child-care support should be reversed, to protect both incomes and work incentives, by restoring support for child-care costs for low-income families to pre-April 2011 levels and through providing an adequate level of support for child-care costs in the new Universal Credit system.**

Secure, affordable, decent housing for all

There is a clear long-term need for housing, but in the short term there is a need to protect private tenants. Housing is also a very good way of stimulating the economy. Investment in housing can serve environmental as well as economic ends, for example through retrofitting existing housing stock.

In the short term, the government should:

- **Invest in affordable homes to boost the economy and help solve the housing crisis; and**
- **Consider raising the maximum penalties for offences by landlords, including increasing the maximum fines to make it more cost-effective to pursue prosecutions.**

Protect rights at work

In the short term, it is crucial that existing labour rights are protected. In the long term, protecting labour rights is an essential part of ensuring that decent work becomes the norm in the UK, and that in-work poverty is eradicated.

In the short term, the government should:

- **Protect access to justice by exempting low-income workers from employment tribunal fees;**
- **Apply the working practices of the Gangmasters Licensing Authority to other sectors of the economy, prioritising**

hospitality, construction, and social care; and

- **Extend the right to request flexible working to all workers.**

A fairer tax system

In the short term, for social and economic reasons, any further tax increases should be progressive in nature, and future tax cuts should be targeted at people on low incomes. In the long term, a progressive tax system would help to tackle inequality.

In the short term, to raise money to protect essential services, the government should:

- **Proactively clamp down on tax avoidance and evasion to ensure that all tax that is levied is collected;**
- **Introduce a 'Robin Hood Tax' on financial transactions of 0.05 per cent, to raise money for services and benefits at home and to fight poverty overseas; and**
- **Examine options for a land value tax.**

The long-term case for a fairer society

There is a strong relationship in the UK between poverty and inequality. The UK is a rich society, but one in which income, wealth, and opportunity are unequally distributed.

Inequality harms those who are shut out from wealth and left in poverty, but there is also substantial evidence that it leads to worse outcomes across society as a whole. Meanwhile, the economic crisis has to a large extent been caused by unsustainable personal debt and a bloated financial sector, both of which were driven by inequality. Finally, as a whole, the UK economy is environmentally unsustainable.

The impact of inequality on individuals and society

Inequality has the harshest impacts on those forced to remain at the lower end of the income spectrum, breeding a sense of hopelessness and status anxiety. More broadly, inequality has negative impacts across society as a whole, causing lower life expectancy, less social mobility, and poorer health outcomes, and worsening a range of other social problems. Within rich societies, the way in which resources are distributed is the key determinant of overall well-being.

The economic case for greater equality

Economic growth over the past three decades has been unequally shared and incomes for low earners have been stagnant, even as incomes at the top have raced away. With those at the bottom trying to keep up, personal debt increased by three-and-a-half times between 1981 and 2007, from 45 per cent to 160 per cent of GDP.

'In Britain or Glasgow as a whole, it's all slowly eroding. You see wealth creation, and you see wealth, but it never filters down. So you see the very poor getting poorer.'

Audrey Flannaghan, Trussell Trust food bank manager in Glasgow, Scotland

Bridging the widening gap in incomes with borrowing cannot be maintained indefinitely. The World Bank and the IMF have both recently produced evidence showing that reducing income inequality is likely to be important in reducing the likelihood of future crises.

Inequality is also bad for growth and, according to the IMF, reduces the length of growth spells. For example, closing half of the inequality gap between Latin America and emerging Asian economies would more than double the expected duration of a 'growth spell'.

As a recent Oxfam International report on the G20 puts it, 'If we factor in the impact on growth, the double dividend of tackling inequality becomes a triple dividend: it directly reduces poverty, enhances the ability of future growth to reduce poverty, and, finally, it improves prospects for growth itself.'

In order to effect a lasting solution to the crisis, steps taken to fight economic stagnation and to protect people living in poverty must seek to build a fairer, more sustainable society.

Rethinking what we value as a society

It is not growth that matters, but the type and distribution of growth. Oxfam in Scotland has led the development of a Humankind Index, which is based on asking people in Scotland what matters to them and then measuring those things, to see how well Scotland is doing as a society. The UK government should adopt a similarly wide-ranging approach to measuring well-being, to help ensure that steps taken now will build a post-crisis economy and society that sustainably serve the interests of the British people.

Conclusion

The aftermath of recession is seeing economic stagnation, falling real incomes, and public service cuts all hitting people living in poverty the hardest. The combined impact of all of these factors adds up to a Perfect Storm that is pushing people's livelihoods to breaking point.

The crisis we are in could be an opportunity to change thinking about what a fair society looks like, and to build the foundations for overcoming poverty once and for all. We need urgent action right now to reinvigorate both the economy and the social safety-net on which most of us ultimately rely. But we also need to do so in a way that sets us on the road to a fair, productive, and sustainable society.

2

Introduction

The UK is facing a set of serious, interlocking challenges. The economy is stagnating; unemployment is increasing; prices are rising; incomes are falling; and spending on public services is being cut back rapidly. For the 13.5 million people living in poverty,¹ the combined impact of all of these factors is creating a 'Perfect Storm' that is pushing already fragile livelihoods to breaking point.

When the recession first hit, Oxfam warned that there could be no return to 'business as usual'.² This is as true today as it was then. Oxfam also warned that the poorest and most vulnerable people would bear the brunt. Sadly, as this report shows, this is what is happening right now.

In the UK, Oxfam's anti-poverty programme works with many different partner organisations, developing projects with people living in poverty to help improve their lives, and to show how things can be changed for the better. Working with these groups and individuals has helped Oxfam to understand the impact that the Perfect Storm is having on people living in poverty. Many of their stories are told in this paper. To deepen its understanding, Oxfam also surveyed all its partners in autumn 2011 about the impact the Perfect Storm was having on their organisations and on the people they work with. Nearly 50 organisations responded, confirming the depth of the problems, and helping to inform this paper.

This paper analyses the factors that are making life harder for people living in poverty, drawing on Oxfam's own experience, as well as a wider analysis. This narrative is interspersed with the testimony of individuals with whom Oxfam's programme and its partners work. The paper goes on to suggest urgent remedies to the immediate crisis, and begins to sketch out a longer-term solution to the underlying causes, arguing that a return to pre-crisis business as usual is neither possible nor desirable.

In publishing this paper, Oxfam wishes to tell the untold story of the millions of people at the bottom who are feeling the worst effects of a crisis that is not of their making. It is aimed at politicians and decision makers, whose actions can help to mitigate its effects; at the institutions of civil society, whose task it is to develop a blueprint for a fairer society that is both sustainable and economically successful; and at the media, who can help to articulate the reality of the Perfect Storm for those living in poverty.

'We are seeing people on a daily basis who have not got enough money to feed themselves or their children adequately.'

Feedback from Community Links focus group, 2012

'Government are cutting as much of what they can. They are not taking people into consideration. That's why most of the women now, I would imagine, are on anti-depressants, for the simple fact that we can't cope with what's happening.'

Kate, Manchester

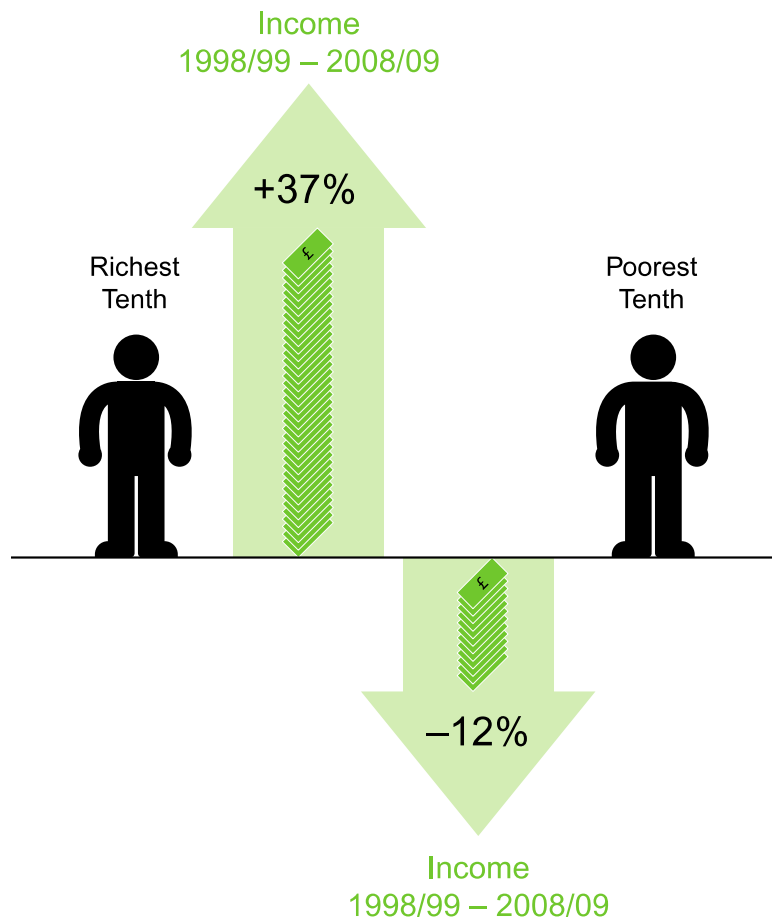
3

Background: the reality of poverty in the UK

The UK is the sixth richest country in the world,³ and meets the major conditions for poverty eradication: democracy and good governance, independent media and judiciary, well-resourced provision of basic services, and laws enshrining rights and prohibiting anti-discriminatory practices.

Yet, in spite of this, more than a fifth of the population, some 13.5 million people,⁴ live in poverty.⁵ The number of people living in poverty increased from 7.8 million in 1982 to 13.4 million in 1990, and has remained stubbornly high ever since.⁶ Even before the recent financial crisis and economic recession, prosperity was not shared. Over the decade to 2008/09, the poorest tenth of the population saw their incomes fall by 12 per cent, while the richest tenth saw their incomes grow by 37 per cent.⁷ Since then, the level of poverty in the UK has remained consistently high and a combination of factors, stemming from economic trends and political decisions, has served to make life significantly tougher for people on low incomes (discussed in detail in Part 4, 'The Perfect Storm').

Figure 1: Changes in incomes over the 1998/99-2008/09 decade



Increasing inequality – whether in or out of work

In the past three decades, the UK has become a society characterised by enormous inequality. The commonly used Gini co-efficient measure of inequality rose from 26 in 1979 to 40 in 2009,⁸ making the UK one of the most unequal rich countries in the world. The poorest tenth of people in the UK receive only 1 per cent of total income, while the richest tenth take home 31 per cent.⁹ Meanwhile, benefit levels have halved compared with incomes since 1980, falling from one-fifth to one-tenth of average earnings.¹⁰

The relationship between work and poverty is crucial, but complex. Unemployment substantially increases the risk of poverty,¹¹ and the average level of unemployment since 1979 is more than three times the average level in the two post-war decades.¹² Yet having a job is not necessarily enough to lift someone out of poverty, with more working-age adults in poverty now living in working households than in workless households.¹³ Low wages, involuntary part-time working – exacerbated by a part-time pay penalty and in-work benefits that are insufficient to lift part-time workers out of poverty – together with inadequate and poorly enforced labour rights, especially for those in the worst-paid and most insecure jobs, combine to cause growing levels of in-work poverty.

John lives with his wife and children in Ebbw Vale, Wales, and works part-time in retail. He works four days of four hours each and, as a result, spends a significant proportion of his wages on petrol. His employer will not consider allowing John to do fewer, longer shifts, to minimise the cost of transport.

Who is poor in the UK?

The risk of poverty is not one that is shared equally across society. A person's ethnicity has a substantial bearing on their likelihood of being in poverty, and around two-fifths of people from ethnic minorities live in poor households, twice the rate for white people. There are also substantial disparities between ethnic groups, with 72 per cent of people of Bangladeshi origin in poverty, compared with 29 per cent of Indians.¹⁶ Women are slightly more likely than men to live in a poor household (21 per cent against 20 per cent¹⁷), though this does not consider the distribution of resources within households, since all poverty figures are collected at the household level. From what Oxfam knows about the allocation of resources within households,¹⁸ and in view of the persistent gender pay gap in the UK,¹⁹ it is likely that government figures understate the extent to which women are more likely than men to be in poverty – which is problematic in itself.

Geographically, there are substantial inequalities both between and within the regions and nations of the UK. Regionally, the poverty rate varies between 28 per cent in London (and 32 per cent in inner London) and 18 per cent in South East England (and 23 per cent in Wales and 19 per cent in Scotland).²⁰ Average incomes in the South East are 15.9 per cent higher than in the West Midlands.²¹ Meanwhile, South West England has both one of the lowest poverty rates – 20 per cent²² – and highest average incomes nationally,²³ yet is also home to Cornwall,

38 per cent of black women and 64 per cent of Pakistani and Bangladeshi women live in poverty in the UK, compared with 20 per cent of white women.¹⁴

Women are more likely to be in poverty than men:

- 64 per cent of low-paid workers are women;
- 40 per cent of ethnic minority women live in poverty;
- Women experience a full-time pay gap of 14.9 per cent.¹⁵

which ranks 43rd out of 46 English ceremonial counties for Gross Value Added (GVA).²⁴ And being born poor is possibly the single biggest risk factor in becoming a poor adult: social mobility in the UK has slowed over the past 30 years, and is low by international standards.²⁵

What does poverty mean in the UK?

Material deprivation

In practical terms, people living in poverty are often forced to make choices between essentials such as heating and eating. More than a fifth of UK households (5.5 million or 22 per cent) are affected by fuel poverty, meaning that adequate heating would cost more than a tenth of their income.²⁶ In reality, with money needed elsewhere, many are forced to go without heating, resulting in thousands of unnecessary deaths each year.²⁷

It is also clear that managing on a low income is time-consuming – and very hard work. The people with whom Oxfam works report having to visit many different shops in order to buy food at the best prices, rather than being able to buy everything they need from one supermarket. Living on a low income makes it difficult to cope with an unexpected ‘shock’ such as a broken cooker or boiler, or an electricity bill that is higher than normal. This is exacerbated by the poverty premium faced by people living in poverty on the cost of basic necessities such as gas, electricity, and banking, which is estimated to be in the region of £1,170 a year.²⁸ As a consequence, debt is a major concern for people living in poverty, and is likely to become more acute in the coming years (see Part 4 below). And for many people on low incomes, even a visit to the cinema – or being able to invite family or friends round for a meal – is an impossible luxury they cannot afford; they are effectively excluded from participating in the normal activities that are part of everyday life in a ‘developed’ country.

The impact on health

Living in poverty has substantial detrimental consequences for physical and mental health. Being at the bottom of an unequal society fuels status anxiety and feelings of insecurity, and contributes to mental and physical ill health.³⁰ The male life expectancy in the healthiest local authority area (Kensington and Chelsea) is 13.5 years higher than in the least healthy (Glasgow City).³¹ The variations in disability-free life expectancy are greater still: those living in the richest neighbourhoods can expect to enjoy 18 more years of healthy life than those in the poorest. Premature deaths caused by health inequalities in England each year lead to the loss of between 1.3 million and 2.5 million extra years of life.³² Inequality is not just causing poverty: it is killing people.³³

‘Food prices going up create hardship. The idea of choosing between heating and eating used to be a myth. But now it is a reality.’

Bal Athwal, worker at the Bradford Resource Centre

According to the Marmot Review, wealthy people are more likely to drink excessively than the less privileged. Despite the fact that those with lower economic status are more likely to abstain from alcohol completely, however, they are also more likely to develop alcohol-related illnesses than those who are well off.²⁹

Stigma and prejudice

Media and government portrayals of people living in poverty fuel poverty prejudice and negative stereotypes. One example of this is the language used to talk about benefit claimants, with both competing to appear toughest on conditions around receipt of out-of-work benefits, presenting them as generous and unaffordable, whereas they are in reality at their lowest level relative to wages since the welfare state was founded.³⁴

Box 1: The labels you get

Sandra lives in Salford, and since losing her job has been on benefits. She feels that her self-esteem has been severely affected by her situation. She says, 'What worries me, and scares me sometimes, is that there are so many programmes about benefit cheats and scroungers, and the labelling you get because you are someone on benefits.'

'I think there's a massive link between poverty, stress, and mental health, and you can't get away from it. I felt I was relatively safe. I had a mortgage, I had a job, I had a good career; now I've been reduced to a set of labels. The confidence I used to have is gone. What rules most of the time is my electric meter, constantly going, and I worry about how many showers can I have in a week? How much television can I watch?'

The lack of recognition of the contribution that people living in poverty make to society adds to their negative experiences. People living in poverty make substantial contributions, whether through undervalued low-income work or non-financial contributions (for example, unpaid or low-paid caring), and often undertake substantial amounts of volunteering in their communities. In spite of this, prevailing attitudes in the UK include a lack of recognition of the existence of poverty, a tendency to believe that poverty is the fault of the individual, and increasingly harsh attitudes towards benefit recipients.³⁵

In summary, poverty in the UK is about low incomes and material deprivation, but it is also about social exclusion, stigmatisation, and health inequalities. The causes of poverty are complex, and its risks are unevenly distributed across society. Ultimately, it is this unevenness which defines the landscape of poverty in the UK: inequalities of wealth, opportunity, and income explain the paradox that, while the overall material riches of the nation have grown substantially in the past 30 years, poverty and its consequences have grown in equal measure.

4

The 'Perfect Storm' and its impact on poverty

'Just because people are not screaming, it does not mean that people are not desperate. It does not mean there isn't a crisis.'

Bal Athwal, worker at the Bradford Resource Centre

As demonstrated above, the problems of poverty in the UK have not arisen overnight: they are longstanding and are the result of deep, complex, and long-term factors. Yet, since the economic crisis of 2008, people already in poverty have seen their poverty deepen, and millions more have found themselves to be vulnerable to economic and political tides beyond their control. A combination of economic stagnation, the rising cost of living, benefit cuts, falling incomes, rising unemployment, and public service cuts adds up to a Perfect Storm for the millions already struggling to make ends meet in the UK. Living standards for the majority are falling through a combination of declining real incomes and a loss of social benefits due to reduced public services. In a society where decades of rising inequality have already weakened bonds of solidarity, this Perfect Storm has left millions of people isolated, with their livelihoods stretched to breaking point.

The recession of 2008/09 was the deepest since the 1930s. The recovery since then has been the weakest in modern history, worse even than the Great Depression, with output still well below pre-recession levels,³⁶ and the UK recently re-entering recession.³⁷ This has had substantial social consequences in the form of rising unemployment and involuntary part-time work, falling incomes, and increasing job insecurity, leading to reduced labour rights. Since it came into power in May 2010, the coalition government has chosen to tackle the debt accrued since the recession and the 2007/08 financial crisis by undertaking a programme of deep and rapid public spending cuts and tax increases (originally intended, under plans set out in the 2010 Comprehensive Spending Review, to total £99bn of spending cuts and £29bn of tax rises per year by 2015/16, equivalent to 6.2 per cent of gross domestic product (GDP)).³⁸ These changes have served to reduce incomes further (through tax increases, benefit cuts, and redundancies), as well as reducing incomes in-kind provided by public services. Both the total amount and the proportion achieved by spending cuts (which are substantially more regressive than tax increases) will increase year-on-year through the five-year spending period from 2010/11 – meaning that things will get worse for those on low incomes.

The impact of the Perfect Storm is already being felt by people with whom Oxfam works in the UK. Across the country, many of Oxfam's partners say that the combination of government cuts, economic recession, and welfare reform has led to an increasing number of service users seeking support. In many cases, the complexity of the support needed has increased. Yet, just as the need for support becomes more acute, so the resources to provide it are being withdrawn: 19 Oxfam partners have experienced a recent cut in funding.³⁹

Box 2: What Oxfam's partners say

When Oxfam surveyed its partners in 2011, it found that many of them, despite the decreases in their funding streams, were facing a growing demand for their services. 'Due to cuts in mainstream services and benefits, the number of clients needing our support has increased drastically,' the Rochdale Women's Welfare Association reported.

Many of Oxfam's partner organisations are concerned about a decline in health and nutrition, especially for young families and older people, as they are faced with tough choices in the distribution of their household expenditure. Other partners have seen increasing levels of debt and homelessness befalling their clients. Oxfam's partners reported that there is low morale in the communities they work in with more anti-social behaviour, including religious and racial prejudice

The unbalanced impact of the recession on women is something that Oxfam's partners have witnessed themselves. The Pankhurst Centre said: 'We have seen a marked increase in women presenting themselves as homeless, and these women are not typical; they are increasingly women who have lost jobs or are experiencing domestic abuse. And job losses are affecting more women than men.'

Changes to the make-up of communities due to the recession are also being witnessed. 'Many shops have closed, especially unusual shops, and there is an increase in budget and "cut-price" shops. Now, there are lots of charity shops, pawnshops, empty shops, shops with broken windows,' said the Swansea Women's Asylum and Refugee Group.

Most of all, Oxfam's partners recognise that this crisis is hitting those at the bottom the hardest. Thrive said: 'There appears to be a double standard in this country between the way rich people and poor people are treated.'

'All our users are in debt. We have definitely seen an increase in bankruptcy and debt relief orders in the last year to 18 months. The people I see have debts to credit cards, catalogues, loan sharks. [...] It's often only when they can see a financial statement that they really appreciate they don't have enough money to live on.'

Feedback from Community Links worker in focus group, 2012

In order to cope with the impact on their lives, people living in poverty have been forced to rely upon damaging coping strategies. Frequently, Oxfam partners have reported an increase in service users experiencing debt,⁴⁰ and this is borne out in national figures: because economic growth is below its initial expectations, since last year the Office for Budget Responsibility has revised upwards its forecast for total household debt in 2015, from £1,823bn to £2,126bn.⁴¹ The impact is being felt at the basic level of providing food. The UK's largest food bank network, the Trussell Trust, has seen the number of people receiving its food parcels double in the past year, and it predicts further increases, from 128,000 people last year to half a million by 2016.⁴² Finally, as Oxfam knows from its work, and extensive academic literature has proved, women tend to act as 'shock absorbers' in times of crisis, managing budgets and debt, and going without in order to ensure that their families have what they need.⁴³

The Perfect Storm is so damaging in part because it is made up of a combination of factors, all hitting at the same time. So, while this paper considers below the impact in six particular areas, millions of people are being affected by a combination of several of these issues:

- Rising unemployment and declining incomes;
- The increasing cost of living;
- Public service cuts;

- Welfare reforms and benefit cuts;
- The housing crisis; and
- Weakening labour rights.

Box 3: A family in East London hit by the Perfect Storm

David used to work for his local council, and his wife Catherine works for the local hospital. Over a year ago, David lost his job and, as Catherine's job is low-paid and their son is struggling to find a job, the family started having trouble making ends meet.

Despite trying his best, David couldn't find a job, so he turned to taxi driving. Renting his cab costs him £250 per week, and he cannot always find customers on a regular basis, due to the recession. The family cannot miss any more mortgage payments, or their house will be repossessed, so they are having to go without food to keep up with their payments, and haven't been able to put the heating on all winter. They use gas and electric keys, and when they run out, David goes out to try and pick up a fare, and then comes home to put the money on the key.

The pressure on the couple is mounting and both Catherine and David are now on anti-depressants. David is not entitled to any benefits as his wife works, and the couple's son is not classified as a dependant any more, even though he cannot provide for himself, as he doesn't have a job. They have other debts that they can't pay, and if they decide to go bankrupt, they won't be able to afford to rent another property or to live in a council property, as they aren't vulnerable adults.

Source: Community Links

Rising unemployment and declining incomes

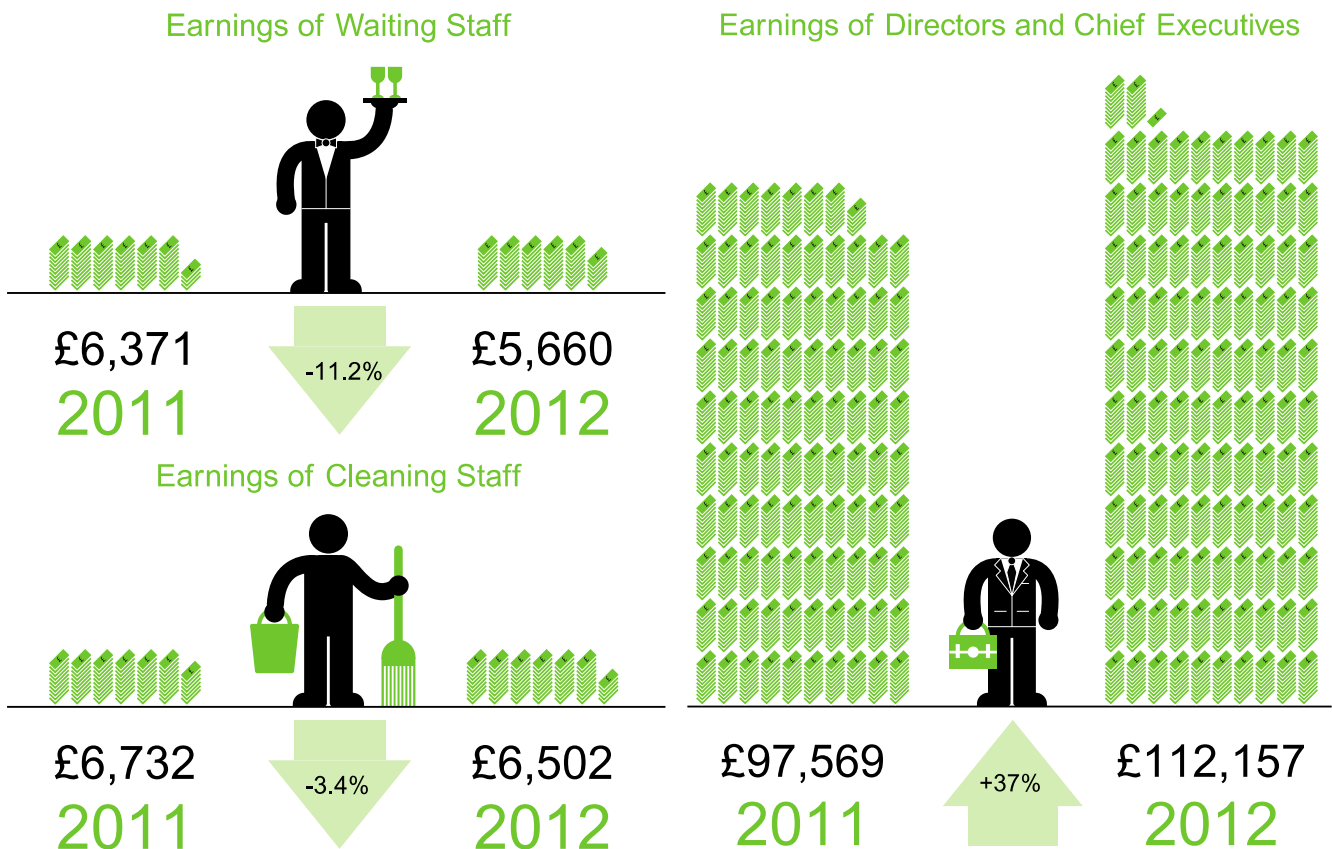
A number of factors are pulling down incomes across most of society. Rising unemployment, involuntary part-time working, pay freezes and cuts, and cuts in benefit levels are all contributing to the biggest real-terms fall in incomes since 1974-77. According to the Institute for Fiscal Studies (IFS), median incomes will drop by 7 per cent between 2009/10 and 2012/13,⁴⁴ having fallen modestly during the recession itself.⁴⁵

'As a civil servant I haven't had a pay rise for three years, but each January, my costs go up. Bus fares go up, train fares go up, petrol is constantly fluctuating up and down at the moment, food obviously ... so when I buy food now it's got to be stuff I know we're going to eat - nothing can go in the bin.'

Dionne, mother of two, London

The squeeze on incomes for the majority is not new. Real wages for most have been stagnant since the mid-2000s, and are now falling - earnings growth in February 2012 was 1.2 per cent,⁴⁶ against inflation of 3.4 per cent measured by the Consumer Price Index (CPI),⁴⁷ while average earnings fell by 4.4 per cent in 2011⁴⁸ - and they are set to continue to do so. In the first six months of 2011, almost three-fifths of employees experienced a pay freeze (rising to over three-quarters in the public sector), with a further one in twenty having their pay cut.⁴⁹ The National Minimum Wage (NMW), the level at which millions of workers are paid, has fallen in real terms for three of the past four years, and was frozen in the other.⁵⁰

Figure 2: Income changes according to occupation



At the same time, rewards at the top have raced away compared with those at the bottom. Last year, the earnings of company directors and chief executives went up by 15 per cent, while the annual pay of waiters and waitresses fell by 11.2 per cent and the earnings of cleaning staff fell by 3.4 per cent.⁵¹ Directors of FTSE 100 companies saw their earnings increase by 49 per cent.⁵² The average FTSE 100 executive now earns 145 times more than their average worker. On current trends, by 2035 this inequality will reach levels last seen in the Victorian era.⁵³

'I've been unemployed before and it's only ever taken three months to find work. Now, I've been looking for full-time work for ten months, and there are jobs but a lot of people are going for each job. It took me a long time to even get any interviews, but once it happened, I was always competing against internal candidates and, fair enough, the internal candidate gets the job because they know the company, but it makes it difficult for people that are not working.'

Christina, Bradford

Even during the good times, the majority of rewards went to the richest: in the decade to 2008/09, 40 per cent of total income growth in society went to the richest tenth of people.⁵⁴ The progressive initial response to the recession helped briefly to reverse this trend, with incomes growing fastest for the poorest fifth (3.4 per cent) and slowest for the richest two-fifths (0.3 per cent) from 2008/09 to 2009/10.⁵⁵ Since then, however, the new government's deficit reduction plan has been substantially regressive, hitting the poorest hardest.⁵⁶ The contrast does demonstrate, however, the potential for positive government action to protect people living in poverty, through decisions on how tax and benefit changes are targeted.

Meanwhile, levels of unemployment have reached their highest for 17 years, at 2.67 million people (8.4 per cent).⁵⁷ This represents a second post-recessionary spike in unemployment, with levels initially having begun to fall in the wake of recovery in 2009/10, suggesting that the impacts of stagnating growth and of public sector redundancies (public sector employment having fallen for eight successive quarters since the start of 2010⁵⁸) are starting to be felt in the job market. Moreover, long-term unemployment is at a 14-year high of 882,821 claimants, having more than doubled since the financial crisis of 2008.⁵⁹

Box 4: Fewer opportunities for young people

Community Links, an Oxfam partner based in East London, delivers training to young people not in education, employment, or training (NEETs). The trainers usually compile a list of apprenticeships that the participants can apply for, but they are witnessing a decline in the number of opportunities available. 'Each year the list has got shorter and shorter,' says one Community Links worker.

Last year there were only three apprenticeships, one of them in child care, she adds. 'Three of the girls on my course applied for the place in child care, so you can imagine what the competition for that was like. Do you know what that placement was for? It was to work with terminally ill kids. They wanted to pay a 16–18-year-old £100 a week to work full-time with terminally ill children.'

Source: Community Links

Levels of youth unemployment are notably high, with more than a fifth of young people, over one million of them, unemployed.⁶⁰ This last statistic is of particular concern, given evidence that unemployment has a permanent 'scarring' impact on the life prospects of young people.⁶¹ It is estimated that for every young person not in education, employment, or training (NEETs), there is an average cost of £56,000 to public

authorities over their lifetime.⁶² There are also impacts in terms of equality and social cohesion, as one in two young black people is unemployed. The likelihood is that unemployment will get worse before it gets better, with employers seeking to reduce staffing levels outnumbering those looking to increase them.⁶³

'I'm struggling because I've had to give up work ... the hours they gave me wasn't enough so it's got me into debt ... they said I'd have 15 hours a week and they knocked it down to six, which was no good at all.'

White woman, interviewed for 'Recession, Poverty and Sustainable Livelihoods in Bradford' report⁶⁴

Unfortunately, even these figures understate the extent of the employment problem. Many of those currently in work are under-employed – involuntarily working fewer hours than they would like. The number of such 'frustrated part-timers' has reached 1.4 million – the highest figure since records began in 1992.⁶⁵ Oxfam's own experience demonstrates the impact of the weak labour market for people living in poverty: several of its partners report that the numbers of their service users experiencing redundancy have recently increased. In addition, several partners have told Oxfam that more of their employed service users are facing reduced incomes due to shorter working hours.⁶⁶

Falling incomes and higher levels of unemployment, while particularly acute at present, are part of a longer-term trend. The average level of unemployment since 1979 – of 7.9 per cent – is more than three times the average level recorded in the two post-war decades. At the same time, a decreasing proportion of GDP has gone to wages,⁶⁷ with the bottom half and the bottom 10 per cent taking less,⁶⁸ while corporate profits and the incomes and wealth of the very rich have sped upwards.⁶⁹ To bridge the gap and allow workers to buy the increasing output (and thus keep the economy functioning), consumers have needed to borrow. As a result, levels of personal debt have more than tripled in less than 20 years: from 45 per cent of incomes in 1981 to 157 per cent in 2008.⁷⁰ Moreover, those with incomes of less than £10,000 per annum have a consistently higher unsecured debt-to-income ratio than any of the higher-income groups, rising to almost 300 per cent in 2010.⁷¹

The increasing cost of living

A major reason why real incomes have been falling is that prices have been rising rapidly. While, typically, inflation is associated with an economy operating above full capacity (i.e. the end of a boom), both recession and stagnation have been accompanied by high rates of inflation, with peaks of 5.2 per cent (CPI; RPI was 5 per cent) in September 2008 and 5.2 per cent (CPI; RPI was 5.6 per cent) in September 2011.⁷² More significant than the headline figures has been what is driving price rises. The peaks in 2008 and 2011 were driven by food and fuel prices, both of which account for a high proportion of the spending of people living in poverty.

'I look at the amount of food I used to buy: I could spend £10 or £15 a week, and I would have loads of food; now, when I look at it, I have half a bag of food. And I don't want to buy stodgy white bread, because it's processed food. You want to keep your diet to a good standard.'

Jo, unemployed, Bradford

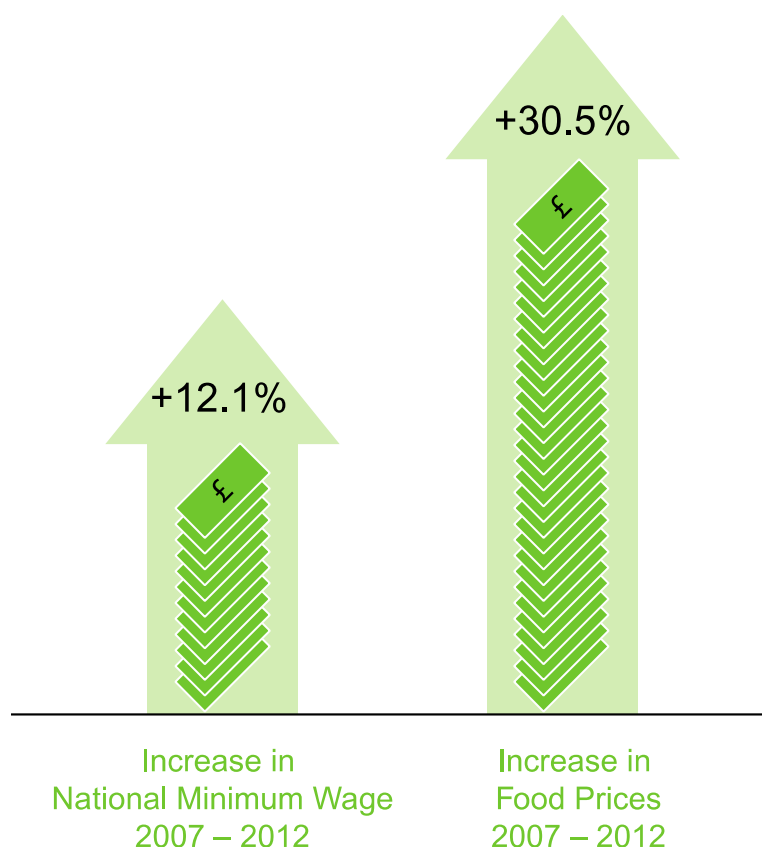
In addition, tax rises under the coalition government have been regressive, thus affecting people living in poverty more, when the poorest fifth are already taxed more heavily (35.5 per cent of their income in 2009/10) than the richest fifth (33.7 per cent).⁷³ In particular, the increase in VAT from 17.5 per cent to 20 per cent from January 2011 (having been reduced to 15 per cent between December 2008 and

January 2010) is making the tax system more, not less, regressive. VAT continues to constitute a greater proportion of household disposable income – more than double – for the poorest people (almost 10 per cent) than for the richest (under 5 per cent). Indeed, the gap between the richest and the poorest in terms of the proportion of disposable income spent on VAT has grown from 1 percentage point in 1986 to almost 5 percentage points in 2009/10.⁷⁴

The South West Community Mental Health project in Glasgow reported, in March 2012, that all its users had seen large increases in their energy bills recently. Because all users have low incomes, they cannot access the most economical payment methods for basic utilities like gas and electricity. As a result – and paradoxically – those who have less money end up paying the highest price, through pay-as-you-go methods such as power cards or keys.

In the past five years, food prices have risen at approaching double the rate of average inflation (30.5 per cent against 17.4 per cent),⁷⁵ a trend that is likely to continue, with food prices expected increase by 50 per cent in real terms over the next 40 years.⁷⁶ Meanwhile, fuel prices have also risen above inflation: between January 1997 and December 2010, electricity prices rose by 67 per cent and gas prices increased by 139 per cent, compared with a rise of 48 per cent in the overall RPI,⁷⁷ with dual-fuel bills expected to rise by up to 50 per cent from 2011 to 2015.⁷⁸ This, in turn, has contributed to a rise in the proportion of homes facing fuel poverty in England and Wales from 18 per cent to 24 per cent in two years.⁷⁹

Figure 3: National Minimum Wage increase vs. food prices increase



In addition, people living in poverty face a ‘poverty premium’ on the cost of basic necessities such as gas, electricity, and banking, estimated to be in the region of £1,170 a year (for example, because the best tariffs are only available to those able to pay by direct debit, while pre-payment meters offer the worst rates of all).⁸⁰ As incomes for people living in poverty have tended to rise with average inflation (benefits have historically been uprated along with RPI, though that will change to CPI from this year – and the National Minimum Wage has gone

down in real terms in the same five-year period), this means that their ability to pay for essentials has been reduced.

Box 5: Buying bigger clothes for the children to grow into

Andrea is a single mother of three in Newport, South Wales, the youngest being two years old. She feels that the cost of food, electricity and gas, and clothes has risen sharply. She has to budget more and more carefully when she goes shopping, and can no longer afford to buy treats for the children without thinking twice.

'I have to think a lot more about where the money goes. I prioritise fruit and vegetables rather than sweets and crisps. I always try to pass toys and clothes on from the older children to the youngest, and when I do buy clothes, I look at the quality of the material and buy clothes that will last. I buy bigger sizes so that the children will grow into the clothes. I worry about the children getting older and demanding more things. It is difficult when we live in a society that is so built around consumption.'

'I always worry when I make a dish that it might not be enough. And if a friend should appear with my children at dinner time, they're always welcome – I give up my plate.'

Jean, Glasgow

A number of attempts have been made to quantify the impact of this differential inflation. Comparing patterns of spending across income groups and associated price rises, the IFS has calculated that, between 2008 and 2010, the poorest fifth of households experienced an inflation rate of 4.3 per cent, compared with 2.7 per cent for the richest fifth.⁸¹ As food and fuel prices have since undergone a second peak, it is likely that this differential pattern has continued into 2011/12. The Joseph Rowntree Foundation (JRF) annually updates the level of the Minimum Income Standard – a minimum standard of living, based on a broad survey of what members of the public think constitutes the basic requirements of life. The JRF calculates that the cost of achieving the Minimum Income Standard has risen by 43 per cent over the past decade, compared with 27 per cent for general prices.⁸²

Oxfam is seeing the effects of price rises in its day-to-day work, with its partners increasingly reporting that service users are finding it harder to get by because of the increased cost of living, particularly food and fuel prices. In the majority of cases, they report a 'large increase' in these instances.⁸³

Public service cuts

'We are being told about the Big Society, and that all this will be provided by charitable organisations, and people in communities will band together and do it all. That's not happening because all those organisations that have been helping people are under threat left, right, and centre in my community. They are fighting for every pound that they get in.'

Cllr Suzanne Richards, Manchester

The political climate today is dominated by deficit reduction, largely in the form of public spending cuts. The government plans, by 2016–17, to instigate average cuts of 19 per cent to each government department, or £126bn over six years. It also plans £29bn of tax increases over that period, the bulk of which will come from the increase in VAT from 17.5 per cent to 20 per cent.⁸⁴

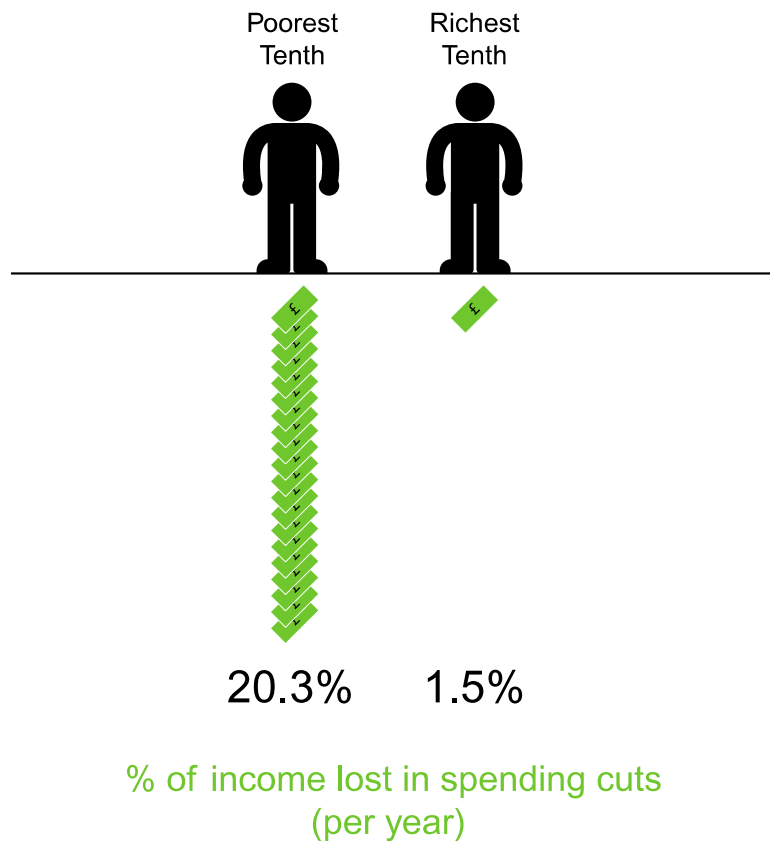
The decision to focus so heavily on spending cuts is significant, since these are known to have a far greater impact on poorer people, who rely most on public services. Research shows that spending cuts will hit the poorest tenth of the UK population 13 times harder than the richest tenth. The impact on those poorest households will be enormous –

'If grant funders and Government all think it's someone else's responsibility to fund key crisis services like ours, where is this magical funder that will pick it all up?'

NEWomen's Network member⁸⁸

equivalent to more than a fifth of their income being taken away (even more if benefit cuts and tax increases are taken into account).⁸⁵ In addition, research shows – and the government acknowledges – that spending cuts will be proportionately larger for more deprived local authorities than for richer ones. For example, within London and the South East, Hackney and Tower Hamlets Councils will see cuts of 8.9 per cent per year, while Richmond and Windsor will see cuts of 1 per cent or less.⁸⁶

Figure 4: Percentage of income lost as a result of spending cuts



Sixty-one per cent of voluntary organisations in the North East of England that provide services to women reported a decrease in income last year, compared with 43.9 per cent in 2009 and 37.5 per cent in 2010.⁸⁷

At a time when substantial social damage is being caused by the Perfect Storm, the resources to deal with its impacts are being withdrawn. The cuts mean less health care, reductions in social care, and the loss of hundreds of smaller services such as counselling support, care homes, school crossing patrols, and youth clubs. This is liable to lead to a double effect of existing services dropping in quality and more of these problems being inadequately dealt with, and of money for preventative public services being diverted into short-term, curative spending, decreasing well-being for future generations. The pressure to make such short-term decisions is particularly acute for local government, which is suffering the biggest overall cut, at a cumulative 27 per cent by 2014–15. One particular function of local government is to provide many of the essential personal services that women and their families need.

Cutting public spending has a particularly strong impact on gender equality.⁸⁹ This is before considering the secondary effects, as women are more likely to make up the shortfall in public services by their own unpaid efforts in the home. They can also suffer knock-on financial impacts, as they will in some cases reduce their own employment and

incomes to make that additional work in the home possible.

Box 6: The health consequences of the cuts

Bridget is 52 years old and is on employment support allowance due to her mental health issues. She lives alone in Manchester and, due to her condition, she used to rely on support groups in her area, but now most of them have closed as a result of the cuts. 'There are too many cuts in Manchester, and there are too many places closed down, so I don't have many places left to go. There were some groups that I used to go to for mental health therapy, and they've lost their funding, so they're just not there any more,' she explains.

She would like to move out of Manchester because she feels there is no service provision for people her age in her area any more, but she can't afford to move house.

'Since all these cuts have affected me, I've actually relapsed with my mental health, and I don't go out as much as I used to. The one thing I will do is use my bus pass to go on the bus to somewhere that is free because that's all I can afford to do now. I can't afford to go for treats or to places like the cinema any more, and things like that,' she says. The isolation has made her condition worsen: 'I've pretty much had a relapse and gone back to stage one, when I'd come so far with the help and support of these groups. Now they're not there, I've gone backwards again.'

'A lot of staff at Sure Start has been made redundant and we had made good bonds with those staff, so it is a shame to lose them. Also there is less provision; they used to run various parenting courses which have been cut.'

Andrea, single mother of three, Newport, Wales

One area in which spending cuts will bite especially hard, affecting women in particular, is child care. Already, the UK has the third most expensive child care amongst OECD countries. While the UK government spends a high proportion of GDP on family benefits (3.6 per cent compared with an OECD average of 2.2 per cent; only France and Denmark spend more, at 3.7 per cent), most of this is spent on cash transfers to families. Countries that allocate proportionately more of such spending to services (even if the total amounts spent are lower) obtain better outcomes in terms of child poverty, gender equality, employment rates in families, and rates of child-care enrolment. In spite of this, spending on Sure Start, the major service of this kind in England, is being cut back – particularly heavily in poor areas, at £100 per child, compared with £30 per child in rich areas. Between April 2010 and November 2011, there was a net reduction of 124 Sure Start centres in England.⁹⁰ In contrast to this approach, the Welsh government has chosen to protect and expand its equivalent service, Flying Start, which demonstrates the potential for taking different approaches within the same spending context (see Box 7).

Meanwhile, cash support for child care is to be spread more thinly under Universal Credit, meaning that many families on low incomes will be worse off in work once child-care costs are taken into account. Already, the average second earner in the UK keeps only 32 per cent of their earnings once child-care costs are taken into account, compared with 48 per cent on average in OECD countries.⁹² This and other cuts to family benefits, including Child Benefit and Tax Credits, will make the situation significantly worse. To reach the Minimum Income Standard, families requiring child care would have to earn over 20 per cent more

- 75 per cent of local government workers are women.
- 77 per cent of NHS workers are women.
- 80 per cent of adult social care workers are women.
- 82 per cent of education workers are women.⁹¹

in 2011 than in 2010 to meet the shortfall in government support.⁹³

Box 7: Wales: investing more in children

In stark contrast with the UK government's approach to services in England, the Welsh government decided last year to invest in its Sure Start equivalent, Flying Start, in order to double the number of children it reaches.

An extra £55m will be injected into Flying Start over the next three years, on top of the regular £39m a year, to benefit an extra 18,000 2–3 year olds, at a time when 32 per cent of children in Wales live in poverty (compared with 28 per cent in 2003–06).⁹⁴ This extra funding will be applied differently, through data on households that receive Income Benefit, rather than based on the Welsh Index of Multiple Deprivation, which will ensure that families struggling in well-off areas are less likely to lose out.

Finally, public service cuts feed back into the Perfect Storm through their impact on unemployment. Public sector employment levels are in steep decline, with a 4.3 per cent drop in employment levels (270,000) over the past year,⁹⁵ which has contributed to unemployment continuing to rise far beyond the technical end of the recession (prior to the onset of a second recession). In their secondary effects, too, public service cuts have a gendered impact. Women form the majority of public sector employees,⁹⁶ and are particularly concentrated where the cuts are deepest, with women constituting 68 per cent of those employed by local authorities.⁹⁷

Welfare reform and benefit cuts

One of the largest contributions to spending cuts has come from the welfare budget. In total, benefit cuts for working-age people (and, by extension, the children they support) will account for £18bn per year by 2014–15. This is the context in which an ambitious programme of welfare reform – with Universal Credit as its centrepiece – is being pursued. The amount being cut from the budget is 36 times greater than the amount being invested in the new system.

The major components of these cuts to benefits include caps and other reductions to Housing Benefit (to be followed by an overall benefit cap); a three-year freeze in Child Benefit, together with means-testing for higher-rate taxpayers; a one-year time limit for contributory Employment and Support Allowance (ESA); a 10 per cent reduction in the budget for Council Tax support (with administration of the cut devolved to a local level); reduction in Child Tax Credits and a tightening of eligibility criteria for Working Tax Credit; a reduction in child-care support; and a change to uprating benefits annually by the CPI, rather than the RPI, measure of inflation.

'Things are changing all the time and it's very confusing and worrying for people... Especially when they think they are going to be losing their benefits.'

Dorothy, volunteer at the Clydebank Resource Centre, Scotland

Box 8: Tax credits cuts: a tough blow on single parents

'[On benefits] you don't get enough to live on. £65 or £67 a week, for an adult, is not enough. Sometimes I think, "I am a single person and I struggle, what about families of six kids?"'

Jo, unemployed, Bradford

Becky is a single parent working 28 hours a week, on a four-day week. Her three-year-old daughter goes to child care while she's at work, and this costs £565 a month. Becky receives the maximum 80 per cent support to pay for child care, but cuts to tax credits mean that she will lose over £1,300 a year in support.

Becky says: 'This will be very, very hard for me. I was going to try and set up a pension but I won't be able to afford those payments every month now. I've already cut down on all our non-essential spending, so the only way to get around these costs is to try and negotiate working a shorter day, from 9.30 to 2.30, so I don't have to use child care at all – although this will mean I work fewer hours and so I earn less.'

'I honestly have no idea how I'm going to manage with this. I am a manager, I'm well qualified, I have 11 years' experience – I contribute to my local economy through my skills and experience. But I feel that I'm being forced to consider giving this up.'

Source: Gingerbread⁹⁸

Figure 5: Benefits rise vs. earnings

If benefits had continued to rise with earnings, Jobseeker's Allowance would have been **£123.69** a week in 2010/11 rather than **£65.45** a week



This last issue is highly significant, since benefit levels have steadily been falling further behind average incomes since the link with earnings was broken in 1980. Unemployment benefit has fallen from one-fifth to one-tenth of average earnings.⁹⁹ If benefits had continued to increase with earnings, Jobseeker's Allowance would have been £123.69 a week in 2010/11, rather than £65.45 a week (for single people aged 25 and above).¹⁰⁰ With each subsequent year, the impact of the switch to uprating via the CPI will be compounded, a major factor in the

increasing scale of welfare cuts over the four-year spending review period to 2014–15. The change is predicted to save the government £1.2bn in 2011–12, rising to £5.8bn in 2014–15.¹⁰¹ This seemingly technical change will ensure that benefits become increasingly more residual, year by year, accelerating the creation of a ‘them and us’ welfare system.

On a positive note, the introduction of Universal Credit will simplify the benefits system, making it easier for people currently on benefits to take short-term, part-time, or insecure work. It will also help to protect people as they transition between unemployment and work, or as the hours they are able to work rise and fall.

Yet, just as the system is simplified, so eligibility is being tightened for many claimants, making it harder for people to claim their rights to social protection. New tests for ESA (which has replaced Incapacity Benefit as the main means of support for people who cannot work due to ill health), and soon for the Personal Independence Payment (which will replace Disability Living Allowance from 2013), have caused a great deal of hardship in the form of incorrect decisions, appeals, and a reduction in financial support for many.¹⁰³ Meanwhile, successive governments have increased ‘conditionality’, or the requirements that claimants must meet in order to receive benefits, including, from October 2011, the requirement for single parents of children aged five and over to seek work. The latest Welfare Reform Bill has introduced a maximum sanction for non-compliance of three years’ loss of benefits.

Sharon, from North Wales, has chronic fatigue syndrome. Despite this, she ran her own company until 2010, but she was forced to close it because her health deteriorated. She applied for Employment and Support Allowance (ESA), and what followed was a lengthier and more emotionally taxing process than she had expected. She only started receiving money eight weeks later and, not long after, the benefit was stopped because she was declared fit for work in an assessment. She finally secured her entitlement to ESA after appealing against the decision.

Source: Cutswatch Cymru¹⁰²

Box 9: Benefit sanctions: one step closer to destitution

The users of the Bradford Resource Centre (BRC), an Oxfam partner, have noticed an increase in welfare sanctions in the area, with people having their benefits stopped for two weeks, two months, or even six months. People are penalised for not applying for the jobs they have been assigned, even if these jobs prove to be unsuitable for their skills, or for missing appointments with the job centre. ‘On benefits, you are not allowed to be ill, to go on holiday, or to be under stress,’ says Bal, from the BRC.

‘The problem with welfare sanctions is that people lose their Jobseeker’s Allowance (JSA), and all their other benefits. It stops immediately, and then it takes ages to sort out getting all the benefits again,’ she explains. Those affected rarely have any savings, and find it even harder than before to get by, having to resort to food banks.

The workers at Community Links, an Oxfam partner based in East London, have noticed the same trend, with many of their service users being pushed into extreme poverty or into debt after being sanctioned. One Community Links worker says: ‘People are experiencing benefits sanctions much more frequently now. If they miss appointments or the benefit office decides that they are not actively looking for work, that they are being lazy – rather than there actually being no job supply at the moment – their benefits are stopped.’

The combination of these changes, of cuts to funding for advice and support services, and of the increased need for benefits due to the Perfect Storm, has resulted in large numbers of Oxfam partners reporting an increase in the number of service users experiencing

In Wales, the areas that will see the biggest drop in ESA claimants, due to proposed changes, are those that are least able to offer suitable job opportunities to former claimants, due to rising unemployment and weak job markets.¹⁰⁶

'Research has suggested that, particularly in low-income households, the [...] assumption with regard to income sharing within couples is not always valid as men sometimes benefit at the expense of women from shared household income.'

Chris Grayling, Minister of State for the Department for Work and Pensions¹⁰⁷

problems in claiming welfare support.¹⁰⁴ The Trussell Trust food bank network reports that two people out of every five receiving food parcels do so as a result of benefit changes or delays.¹⁰⁵

As with public service cuts, welfare reform is likely to result in a negative impact on gender equality. In part, this is because women are more likely than men to rely on benefits for the bulk of their income: twice as many women (30 per cent) as men (15 per cent) rely on state support for at least three-quarters of their income.¹⁰⁸ Research by the House of Commons Library also showed that, of the measures announced in the 2010 Emergency Budget, 72 per cent of cuts would be met from women's income as opposed to 28 per cent from men's.¹⁰⁹ The Commons Library found a similar differential impact in the Comprehensive Spending Review later that year, with women affected twice as badly as men.¹¹⁰ However, it is also about the way in which the government has chosen to pursue welfare reform. In particular, the Welfare Reform Bill focuses on improving incentives for first earners (more likely to be men) rather than for second earners (more likely to be women). There have also been significant cuts to child-care support, which make it harder for women to enter or progress in employment,¹¹¹ and to other family benefits. Combined with a single household-level payment for all benefits (which threatens to increase intra-household inequality of access to income), a move away from the few remaining non-means-tested benefits, and the use of stronger conditionality that particularly affects women, the way in which Universal Credit is being pursued will have a differential impact on women.¹¹²

Housing crisis

The cost and availability of housing have both long since reached crisis point for people living in poverty. There is evidence, however, that recent economic realities and political decisions have made the situation worse – whereas tackling the housing crisis could be part of the solution to the economic crisis.¹¹³

Before the recession hit, there was an acute housing shortage. There were 1.77 million households in England on social housing waiting lists in 2008, and 489,400 households living in officially overcrowded homes.¹¹⁴ The government of the time set a target of 3m new homes by 2020, and 240,000 per year by 2016, in order to tackle the shortage.¹¹⁵ Since then, construction has slowed to a crawl. Over the past year, there have been 107,140 new housing starts in England, only 20,900 of which were in the social housing sector – representing the lowest level of house building since the Second World War.¹¹⁶ In Scotland, last year there were 156,200 people waiting for social housing¹¹⁷ and 10,685 households in temporary accommodation,¹¹⁸ against only 15,150 house completions (in all housing sectors) – a decrease of 41.1 per cent compared with 2007,¹¹⁹ and short of the 19,000 required annually simply to keep pace with the growth of household numbers.¹²⁰

The human cost of this shortage is stark. It affects family life, including forcing people to delay having children, preventing adults from living

'Being in the system of public housing, which I wasn't before, I haven't been able to choose where I live. It's like you never have a home, you don't have control.'

Sandra, Salford

near their parents and keeping children away from their grandparents, and making it more difficult to develop and maintain relationships. Unaffordable housing is forcing millions of people to cut back on other essential spending, with research by Shelter showing that housing costs lead over a quarter of people to reduce how much they spend on food, and a similar number to cut back on home fuel consumption.¹²¹ It can also lead to problem debt, with millions resorting to borrowing on credit cards to pay their housing costs, and can harm job prospects by preventing people from moving for work.¹²² Homelessness is rising, with households accepted as homeless by local authorities up 18 per cent in England in the year to October–December 2011¹²³ and on an upward trend in Wales since 2009.¹²⁴ Scotland experienced a 20 per cent decrease in the year to June–September 2011, after five years of relatively stable numbers,¹²⁵ though it is unclear at this stage to what extent this is a genuine fall in homelessness resulting from an investment of resources into homelessness prevention, and to what extent it reflects a change in recording practice.

Prices in the private housing sector have risen at historically fast levels, more than doubling in real terms in the decade to 2008,¹²⁶ contributing to inequality of wealth (80 per cent of first-time buyers now rely on money from their parents – the proportion has more than doubled in six years – meaning that the majority of the major source of wealth in society is now inherited¹²⁷) and acting as a major factor behind a rising state welfare bill.¹²⁸ Thanks largely to historically low interest rates, house prices are currently still at around 2008 levels (albeit slightly down from their 2007 peak).¹²⁹

Box 10: Families at breaking point

Paula lives in London, with her husband and their two children. The house rented by the family is going on the market soon, and even though both parents work, they are struggling to find another place to live due to rising rents and the impossibility of raising a deposit to buy a house.

'We moved to the area when we were students because it was cheap. We set up home, put down roots. My salary has increased as my career has developed, but it simply hasn't kept pace with housing costs,' Paula explains. The couple don't want to move because the children are doing well at school, but it's looking impossible to stay in the area. They have been looking at two-bedroom houses, but even if they find one Paula anticipates problems. 'With a teenager who is increasingly in need of his own space, and a boisterous six-year-old, having them together in one room is likely to cause many family rows.'

Source: Shelter

Significantly for people living in poverty, the cost of renting in the private sector has been rising sharply. According to Shelter, rents rose more than one-and-a-half times faster than incomes in the decade to 2007, with the result that homes are now unaffordable in more than 55 per cent of local authorities in England.¹³⁰ Average private sector rent for England is now 58 per cent of the average income of the poorest quarter of the population.¹³¹ Since the start of the recession, the

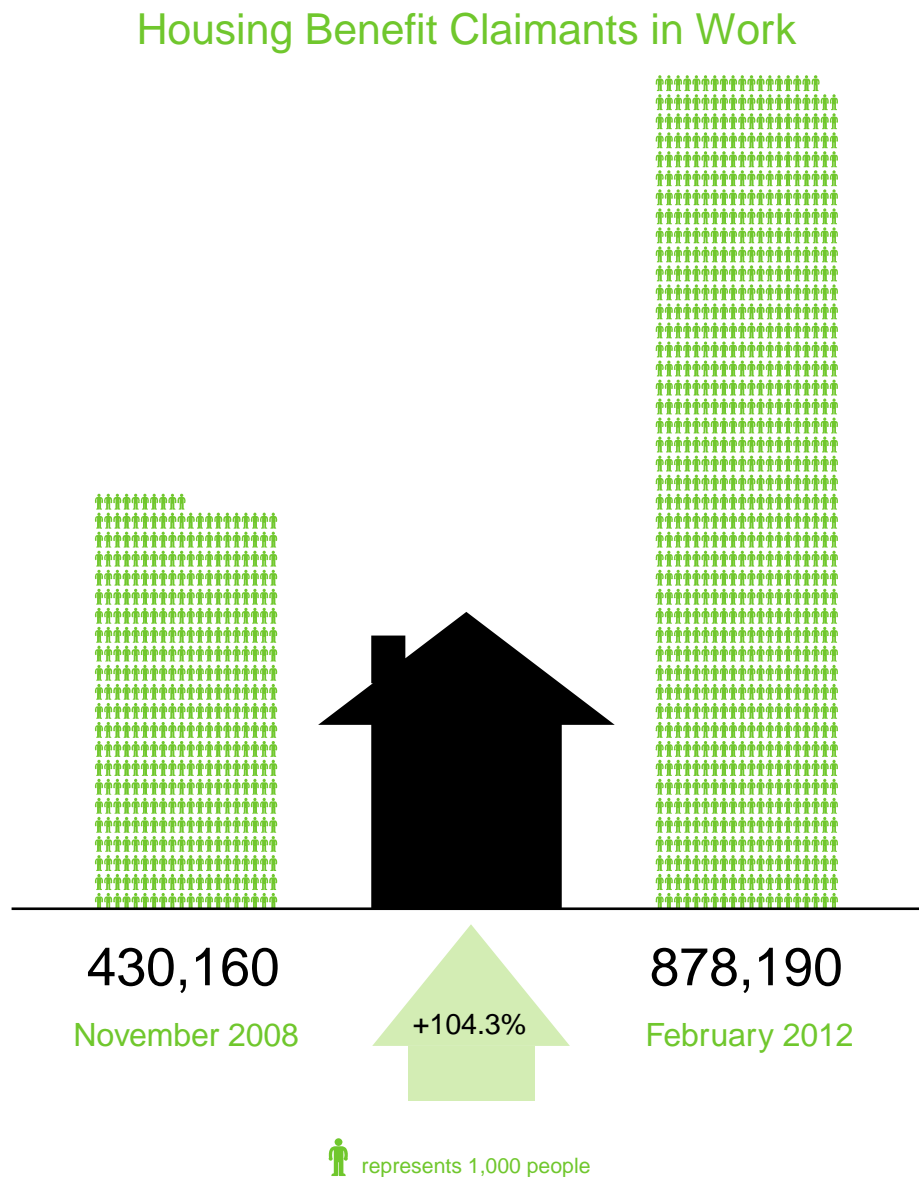
'It [Housing Benefit cap] fills me with dread and I've tried to move to a flat instead of a house which is about £50 cheaper per month, but no one will touch me because I'm a [social] housing tenant. So when these changes take place, I will have to end my contract here and probably go homeless – they aren't leaving me with any choice.'

Single mother, London
 Source: Netmums online forum¹³⁴

combination of low levels of house building and more restricted credit for first-time buyers has seen rents continue to rise. Average private rents in England and Wales reached a record high of £718 per month in September 2011, having risen by 7.4 per cent over the previous two years.¹³² According to one study, renting privately is now typically 17 per cent more expensive than owning a home, based on total monthly costs.¹³³

Increasingly, this means that the need for government support with housing costs extends to those in work: the number of Housing Benefit claimants in work more than doubled between November 2008 and February 2012, whereas the number of claimants out of work rose by only 9.3 per cent in the same period.¹³⁵

Figure 6: Number of housing benefit claimants in work



The government's programme of spending cuts has had a two-fold impact on the housing crisis (as well as the indirect impact on house building described above). First, a substantial proportion of the cuts to the welfare budget (discussed above) has fallen on housing support. The move to decrease the maximum level of support available through

benefits, from covering half to one-third of housing in a given area, will undoubtedly add to the 48 per cent of claimants whose housing benefit already fails to cover the whole of their rent, and who pay £23 per week on average from other sources.¹³⁶ Together with plans to increase future support by the CPI measure of inflation rather than actual rents in an area (as has been the case to date), this will ultimately destroy the principle that housing support should meet housing needs.

Second, changes made as part of the government's welfare reform agenda (and enacted through the Localism Act 2011) will substantially increase the cost of housing outside the private sector. Rents for new tenants in the social housing sector have been increased to 80 per cent of market rates, under the new Affordable Rent scheme. According to the National Housing Federation, this could increase rents for low-income families to up to £9,000 a year,¹³⁸ while a report by the London Assembly gave the example of a four-bedroom house in Haringey, the rent for which would more than triple.¹³⁹ In addition, a new 'under-occupation' penalty will, according to government figures, affect 670,000 social housing tenants, who will lose an average of £676 per year. With 180,000 social tenants in England 'under-occupying' two-bedroom homes, but only 68,230 one-bedroom social homes becoming available for rent in 2009-10, many will be unable to avoid the penalty, making it essentially punitive.¹⁴⁰ Moreover, the problem of a shortage of affordable housing is likely to worsen as a result of the cuts programme, with resources allocated to building affordable housing falling by 63 per cent in real terms in 2011-15 compared with 2008-11.¹⁴¹

Finally, housing tenure will be made less secure for many under the provisions of the Localism Act. Having a secure place to live can be an important aspect of constructing a sustainable livelihood, particularly for people living in poverty, for whom social and community assets can be especially crucial.¹⁴² The introduction of new Flexible Tenancies under Affordable Rent – which the government estimates will affect 29-39 per cent of social tenants in 30 years' time¹⁴³ – will carry a statutory fixed-term minimum of two years, rather than permanent Secure Tenancies as at present. This will mean that many of those renting outside the private market will have less long-term security in their homes, reducing their ability to put down roots in their community and increasing uncertainty, particularly for families with children. The Act also allows councils to discharge homeless households into the private rental sector, which is characterised by insecurity of tenure, high and increasing prices, and weak regulation. This is likely to increase the insecurity of a highly vulnerable proportion of the population, and to reduce the prospect of these households ever finding the secure home that should be a basic right for all.

Weak labour rights

For a substantial minority in the UK, work is characterised by insecurity, uncertainty over hours, under-payment, a succession of short-term jobs, or a combination of all these. Across the UK, the Trades Union Congress (TUC) estimates that there are two million 'vulnerable workers' in

Westminster Council expects to find around 2,000 families not being able to afford their current rents, as a result of the Housing Benefit cap. The council has accepted that there will be a 20 per cent reduction of the school population in the borough.¹³⁷

precarious, low-paid, and insecure employment,¹⁴⁴ and research from across Europe shows that it is women who are in the most precarious and vulnerable work.¹⁴⁵

The proportion of those in a low-paid job in Wales is higher than in the UK as a whole, with more than one in ten in-work households living in poverty.¹⁴⁶

'My life has not been stable because I cannot find a permanent job. I work whenever it is available. I have to push hard to make sure I have a sensible amount of hours for the week – I have no guaranteed work, it is all ad hoc. The organisation I work for does not commit itself to give me work.'

Stella, single parent and care worker, lost her permanent job as a housing support worker

The UK labour market as a whole has unprecedented levels of 'flexibility', which corresponds to low levels of rights for workers. Successive governments have decreased regulation for employers since the 1970s, making it easier for them to hire and fire workers, in order to meet what they perceive to be their business needs, despite the evidence to support this claim being mixed at best.¹⁴⁷ Indeed, evidence suggests that the relationship between employment protection legislation and productivity growth is an 'inverted U-shape', whereby both very low and very high levels of employment protection legislation have been found to reduce productivity growth, and levels in between are best.¹⁴⁸ It is therefore significant that the UK now has the third lowest level of employment protection legislation in the OECD, below less developed economies such as Greece, Mexico, and Turkey,¹⁴⁹ which affects the type of jobs available at the bottom end of the labour market. The UK also has the second highest prevalence in Europe of very short-hours contracts of less than ten hours per week (8 per cent) and the highest number of zero-hours contracts – contracts in which a person is required to be on call for work but has no guaranteed hours in a particular week, and is only paid for the hours they do work (5 per cent).¹⁵⁰

Box 11: The inflexibility of the care industry

Jasmine is a single mother with three children, aged ten, seven, and 17 months. She has worked for five years as a night care assistant, working 12-hour shifts, looking after severely disabled children.

The problems with her employer started with her recent pregnancy, which was deemed risky, causing Jasmine to go to hospital more often than normal. 'They [the employers] made me take my hospital ante-natal appointments as holiday. I looked on the internet to see what my legal rights were and I asked my employer about their maternity policies. They didn't have any,' she says. Jasmine went on maternity leave, and when she returned to work she asked to reduce her hours, but her request was refused. Jasmine was told that if she wanted to come back to work she would have to sign a new contract of employment, working seven nights each fortnight.

Jasmine works nights because she can't afford child care. Her nieces are able to stay overnight at her house to look after her children. When Jasmine needed to take emergency leave to care for a member of her family, her request was refused. 'When I phoned work they said: "Since you came back [from maternity leave] you have been causing a lot of trouble." They refused to let me even take the time as holiday.'

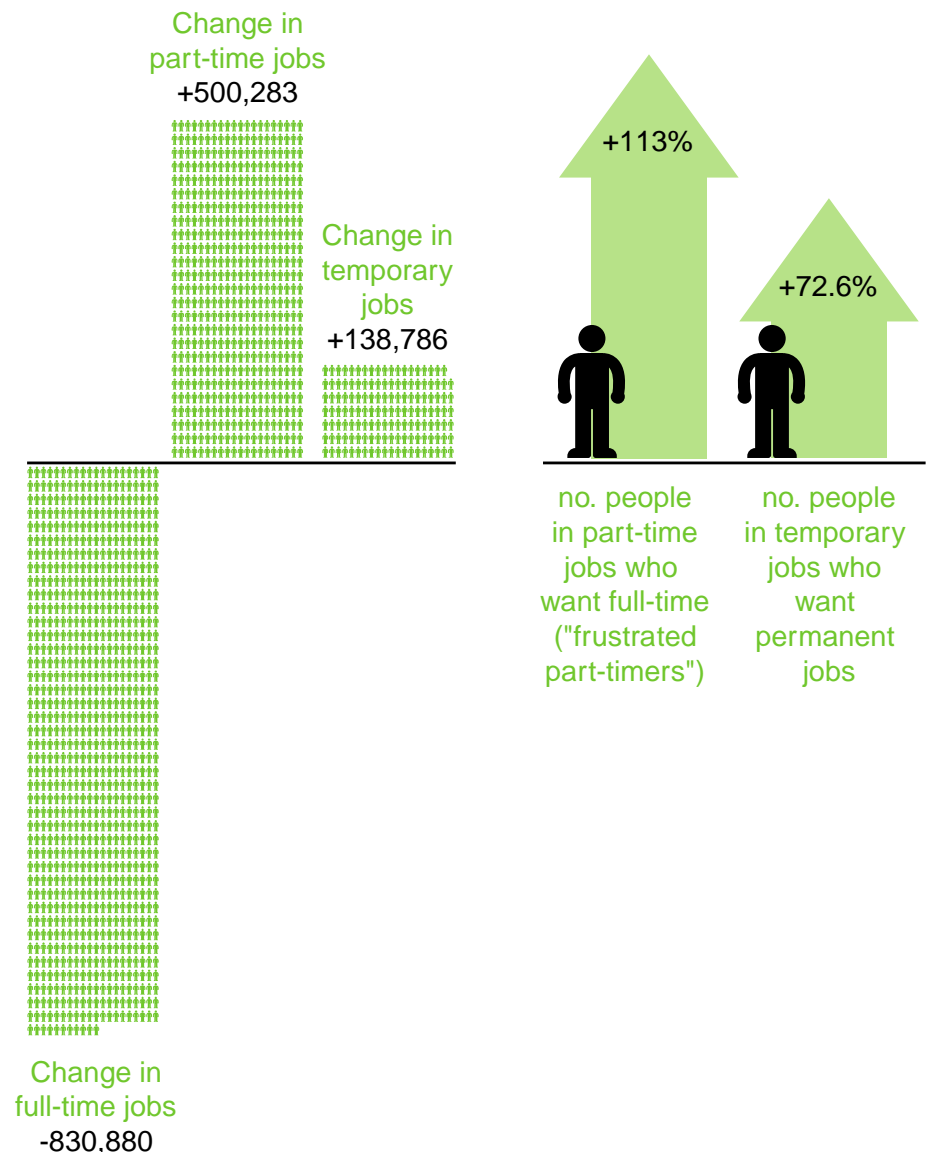
There is a clear link between living in poverty and having few labour rights. Low-paid workers in sectors such as hospitality and social care are often employed on flexible labour contracts, such as being paid at a piece rate (per room cleaned, for example). Research has also shown that 41 per cent of temporary workers are low-paid.¹⁵¹ 'Flexibility' includes very short-term contracts, work paid at piece rates, and zero-hours contracts where the worker has no guarantee that they will receive any hours of paid work in a particular week, often under the

guise of supposed 'self-employment'. An employee's vulnerability to adverse treatment is determined by a wide range of factors which affect the balance of bargaining power between them and their employer.¹⁵² Where the balance of power favours the employer, there may be less incentive for them to protect their employees against adverse treatment.¹⁵³

The Perfect Storm is exacerbating the situation for people living in poverty. The loosening labour market and shortage of jobs means that more power rests with employers, and more people are being forced to turn to insecure work, with few rights – or to waive the rights they do have¹⁵⁴ – just to survive. The private sector has created fewer jobs since the recession ended than the government predicted, and those that have been created are often poorly paid and part-time.¹⁵⁵

Figure 7: Change in job availability since May 2008

Change in job availability between May 2008 and March 2012



Since May 2008 – after which unemployment began to rise – the numbers of people in both part-time and temporary work have increased. Full-time employment has fallen by 3.8 per cent, while part-time employment has increased by 6.7 per cent, and temporary employment by 9.7 per cent.¹⁵⁶ Furthermore, men have accounted for 83 per cent of new jobs added to the economy,¹⁵⁷ at a time when women are losing their jobs in the public sector, and female unemployment is at a 23-year high.¹⁵⁸

There are now a record 1.42 million ‘frustrated part-timers’ – those who want and need full-time work – doubling as a proportion of part-time workers since May 2008.¹⁵⁹ This is highly significant as part-time workers are generally low-paid, with two-fifths paid under £7 an hour, and half of all part-time workers paid under £8 an hour. The number of people working in temporary jobs because they cannot find permanent employment has increased by 72.6 per cent.¹⁶⁰ Similarly, while the rise in self-employment has offset around 40 per cent of the loss in employee jobs since the onset of recession, this rise has been atypical, with women accounting for 60 per cent of the rise (when they constitute less than a third of self-employed people overall), and nine in ten of the additional self-employed working less than 30 hours per week (compared with less than one-third of self-employed people overall).¹⁶¹ In short, people are doing any job they can find, even if that means having a very unstable income.

In addition, the government’s commitment to expanding the ‘contracting out’ of public services, for example through the Localism Act 2011, is likely to further undermine labour rights.¹⁶² The move towards contracting out has led to an almost four-fold expansion in the agency sector in the past two decades, and the number of workers employed by agencies doubled between 1996 and 2006 – with nearly 1.265 million workers employed by agencies by 2006, or 4.5 per cent of the workforce.¹⁶³ In the public sector, there are already 1.2 million people employed through contractors.¹⁶⁴ With estimates that outsourced public services cost 20 per cent less,¹⁶⁵ there is concern that squeezed national and, in particular, local government budgets will lead to greater outsourcing of public services and will exacerbate the race to the bottom for workers’ pay and terms and conditions.

Government deregulation is at present further increasing labour market flexibility, ostensibly to encourage increased employment, but at the expense of increasing insecurity and reducing labour rights. For example, the proposed fee of £200 to deter frivolous cases being taken to employment tribunals – and up to £1,000 before a case is heard – is likely to discourage the most vulnerable workers from making claims against exploitative employers. This is in addition to the abolition of Legal Aid for employment advice, which will further undermine access to justice. Crucially, in the absence of an enforcement body with the appropriate authority, employment tribunals constitute the only way of claiming for unpaid holiday pay¹⁶⁶ – the number one violation reported.¹⁶⁷

Martin applied for a job in a local supermarket and got an interview. He was later told that the interview was cancelled, as they were no longer hiring. 'Despite my frustration, I wasn't all that surprised. With this supermarket having originally been named as one of the prime leaders in the government's "work experience" scheme, why on earth would they hire me for a permanent position when they can sift through all the eager, cheap young labour being filtered through the system?'

Source: *The Guardian*¹⁶⁸

'I don't want to do more [mandatory work]. It's like I'm being punished for being unemployed. If you're unemployed and you're forced to do voluntary work, they're putting me on the same level as criminals, basically.'

Rita, unemployed, Bradford

The government has also increased the qualification period for unfair dismissal to two years, making the jobs of three million workers more insecure,¹⁶⁹ and adding greater insecurity for those in low-paid jobs. As the Chartered Institute of Personnel and Development (CIPD) has noted, raising the qualification period yielded no discernible benefit in the 1980s and is 'detrimental to fostering a culture of genuine engagement and trust between employers and their staff, and potentially harmful to the long-term performance of the UK economy'.¹⁷⁰ Overall, evidence from the OECD has shown that less job protection simply makes employment rates less stable over the economic cycle, with little impact upon the structural rates of employment or unemployment.¹⁷¹ This is particularly significant because people in low-paid jobs are increasingly likely to become long-term unemployed.¹⁷²

These changes to employment protection legislation will have an impact on the security of the poorest people and will continue a strategy that has been marked by calls to abolish protection against unfair dismissal altogether,¹⁷³ and to suspend the minimum wage for young workers in small businesses.¹⁷⁴ This is despite the evidence that, given the UK's very low levels of employment protection, a further, substantial reduction in employment protection is unlikely to enhance labour market performance, and could instead worsen performance.¹⁷⁵

Moreover, efforts to improve labour rights may not reach people in the most need. Though decisions have yet to be taken on the extension of flexible working, the government's proposals indicate that those unable to work regular hours due to other responsibilities will not receive any further rights if they are working in temporary jobs or working for small businesses. This means no ability to negotiate for better working terms for the one-third of temporary jobs that are low-paid.¹⁷⁶

In the absence of government stepping in to increase protection for workers, it is likely that the introduction of Universal Credit will increase the prevalence of vulnerability in work. Universal Credit will make it easier for people to take up short-term or part-time work, and, while it is positive that people currently excluded by an inflexible benefits system will be empowered to take existing work of this nature, the danger is that an increase in the supply of flexible labour will unleash pent-up demand from employers. With welfare reform increasing the power of employers, it is likely that the position of workers will be weakened without a commensurate increase in their rights.

In addition, there is evidence that the Mandatory Work Activity workfare scheme, enabled by the previous government's Welfare Reform Act 2009, has been used by private sector employers to replace regular, waged work with unpaid labour.¹⁷⁷ This breaks the link between work and pay, forcing people to work for up to 30 hours a week for four weeks (an equivalent of £2.37 an hour for those on the adult rate of Jobseeker's Allowance of £71 a week), and threatens to undermine the labour rights of those already in work, as it further reduces the power of workers.

Research by Oxfam in one city in the North West found that a significant minority of unemployed people had worked informally in the past year, and that this work was accepted by many in the community as a survival strategy. Those who work cash-in-hand reported that they did so to make ends meet, and because of the lack of adequately paid jobs in the area.

Finally, the shortage of formal job opportunities – there are 5.6 unemployed people for every vacancy¹⁷⁸ – is likely to force many people living in poverty into working informally. Workers in the informal economy lack the labour rights of those working formally, meaning that they are vulnerable to exploitation, including being paid below the National Minimum Wage. Working informally also limits routes for progression, since experience gained outside of formal employment cannot necessarily be presented when applying for jobs.¹⁷⁹ The introduction of Universal Credit will help to reduce the benefit traps that force many people into informal work, but with work incentives under the new system being lower than originally envisaged due to public spending cuts,¹⁸⁰ and with economic stagnation meaning a reduction in employment generation in the formal economy, there will still be many who are forced into informal work.

Responding to the Perfect Storm

The need for a new approach

As demonstrated in the previous section, the economic crisis and the political responses to it are having enormous, negative social consequences. Rapid deficit reduction is hitting the livelihoods of almost everyone in the UK, but the particular approach taken is hurting people living in poverty the most. The effect is two-fold: the focus on cutting public spending rather than raising taxes is deeply regressive,¹⁸¹ and the blend of tax increases chosen – particularly the focus on increasing indirect taxation – is itself regressive.¹⁸² In addition, both public spending cuts¹⁸³ and the tax and benefit changes introduced by this government will have a significantly more negative impact on women than on men.¹⁸⁴

At the same time, we are seeing a synergy of economic and social needs. Even within the terms that the government has set itself regarding the pace and depth of deficit reduction, there are far fairer and more economically productive ways of doing things. First, protecting the incomes of the poorest people is crucial for both social and economic reasons. It is people on low incomes who are being hurt most by the Perfect Storm; but they also have the highest marginal propensity to consume (i.e. they spend most of their income because they have to), and so increasing the incomes of the poorest will have the strongest multiplier effect on aggregate demand in the economy. Conversely, at present, with the impacts of falling incomes and spending cuts falling most heavily on the poorest, the reductions in demand are multiplied, thus reducing economic growth.

Second, by prioritising social and economic investment, and targeting that investment in pro-poor ways, the government can ensure that it protects the services upon which people in poverty (and women in particular) most rely; it can ensure that money is circulated directly into the economy, helping to boost demand; and it can provide investment in the long-term productive capacity of the economy, at a time when business investment has collapsed.¹⁸⁵ With bond rates in the UK at historically low levels, according to one commentator ‘it is inconceivable that creditworthy governments would be unable to earn a return well above their negligible costs of borrowing, by investing in physical and human assets, on their own or together with the private sector’.¹⁸⁶ Indeed, since such investment can create the potential for future growth, it can not only help to solve the cyclical fiscal deficit by stimulating the economy now, but can also reduce the structural deficit by raising the long-term potential output of the economy.

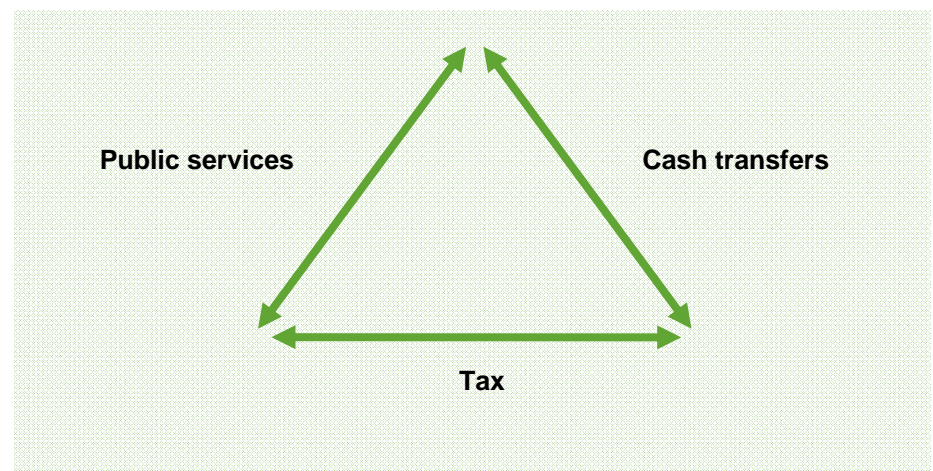
There are two main ways in which the government can respond to the Perfect Storm, and ensure that people in poverty or vulnerable to

poverty are protected. The first is to continue deficit reduction at its current pace, but to alter the balance and make-up of tax rises and spending cuts to ensure that they better protect people on low incomes. The second involves softening its stance on deficit reduction, in order to allow room for investment in the economic and social infrastructure of the UK, boosting both short-term demand and the long-term potential output of the economy, and tackling both the cyclical and structural deficits (see Part 6 below, 'The long-term case for a fairer society' for a discussion on tackling the structural social and environmental deficits.)

Shifting the iron triangle

There is an 'iron triangle' in fiscal policy. Tax, government cash transfers to boost incomes (both in and out of work), and government spending on public services must all be increased or decreased in relation to each other, in what amounts to a zero-sum game. To keep budgets in balance, a change in one side must ultimately be met with a commensurate change in another. For example, a tax decrease must lead to a cut in public services or cash transfers (or both), and an increase in public services must be funded by a decrease in cash transfers or an increase in tax (or both). In the context of economic recession, tax revenues tend to decrease and cash transfers increase (through 'automatic stabilisers' such as increased unemployment benefits), and political decisions must be made on how to deal with the resulting fiscal deficit.

Figure 8: The 'iron triangle' in fiscal policy



The severity of the Perfect Storm is largely the result of a political decision to respond to a crisis in tax revenues¹⁸⁷ predominantly through cuts to cash transfers and public services. A switch from the planned 77:23 ratio of public spending cuts to tax increases in a more equal direction could help to shift the balance of that triangle away from cuts and back towards cash transfers and services. As well as the balance of the triangle, the detail of each side is crucial to how fiscal decisions affect different groups in society. Thus, below, this paper sets out priorities for protecting benefits and public services, but also focuses on ensuring that any new sources of revenue are fair.

Investing our way out of the crisis

This approach – of shifting the iron triangle to protect those most vulnerable to the Perfect Storm – can be complemented by investment in the economic and social infrastructure of the UK. Since such spending raises the long-term productive potential of the economy, it sits outside the short-term iron triangle, and can help to stimulate the economy out of the deepest recession it has experienced since the nineteenth century.¹⁸⁸ With private investment collapsing and the UK now experiencing a double-dip recession,¹⁸⁹ such government investment can help to counteract the negative economic consequences of rapid deficit reduction. The International Monetary Fund (IMF),¹⁹⁰ the UK Treasury,¹⁹¹ and the National Institute of Economic and Social Research (NIESR) have all concluded that deficit reduction will both act as a drag on growth and raise unemployment, with the result that, even if the government reaches its targets for spending reduction, it will not meet its borrowing targets.¹⁹²

The evidence above shows that the Perfect Storm is doing enormous damage to individuals and to society, compounding existing inequalities. Meanwhile, enormous amounts have been spent on bank bail-outs: according to calculations by the IMF, these amounted to over 100 per cent of annual GDP in 2009.¹⁹³ A modest degree of investment in the social and economic fabric of the UK can help both to stimulate the economy out of recession and to protect the essential services and social protection upon which millions of people rely – provided it is targeted to ensure that the most vulnerable can access the economic benefits through jobs and services.

No return to business as usual

The UK's economy and society, as currently constituted, are unsustainable – economically, socially, and environmentally (see Part 6). Actions taken now, as an urgent response to the urgent situation created by the Perfect Storm, should be taken with an eye on building a more sustainable future. By protecting services and social protection through progressive taxation, inequality can be reduced. By targeting government investment towards transitioning the economy to an environmentally sustainable footing, and by investing in the social as well as the economic infrastructure of the country, government investment today can help to overcome ecological and social deficits as well as the fiscal deficit. And by rethinking existing tax and government spending so that they are more progressive and encourage more sustainable growth, we can build on the actions taken to ease the current crisis to build a more economically, socially, and environmentally sustainable future.

We need a 'people's bail-out' to protect the millions in poverty and the millions more who are increasingly vulnerable. But we also need to ensure that there is no return to business as usual.

Responding to the Perfect Storm

The Perfect Storm is a set of interlocking crises, and, while particular problems have particular solutions, there is a need for joined-up thinking, for example around how rethinking state support for housing can help to free up money to maintain social protection for all. In particular, the area of tax connects many of the issues addressed below, with a fairer, more progressive tax system being central to protecting both the incomes of people in or vulnerable to poverty and the public services upon which they rely. Overall, however, it is imperative to recognise the Perfect Storm for what it is: an urgent crisis for the livelihoods of people living in poverty. The measures below, therefore, are crucial in the short term – but they must also be enacted with a view to effecting a fair and sustainable longer-term exit from the crisis.

Protect the incomes of the low-paid

With incomes being squeezed and the prices of essentials rising, protecting the incomes of the poorest people is a clear priority. Not only will this be socially beneficial, but concentrating resources on the poorest will help to stimulate demand in the economy, since people on low incomes have the highest marginal propensity to consume. It is crucial to protect the incomes of those both in and out of work, through maintaining real benefit levels for both groups, as well as guarding against the erosion of wage levels (see below for more on out-of-work benefits). In the long term, action to reduce pay differentials within businesses, public authorities, and wider society can help to protect the incomes of those at the bottom, as well as helping to reduce inequality in the long term.

A double effect of reduced wage protection and cuts to out-of-work benefits is compounding falling incomes at the bottom. Cuts in working tax credits will mean that more than 200,000 working families will lose up to £3,870 per year, with the average qualifying family expected to lose £2,000 a year because of benefit cuts.¹⁹⁴ Meanwhile, the National Minimum Wage, which provides a floor for wages, has fallen or has been frozen in real terms in each of the last four years.¹⁹⁵ To ensure that incomes for those in work are maintained:

- **Cuts to working tax credits should be reversed;**
- **The withdrawal rate for Universal Credit should be reduced from 65 per cent to 55 per cent, as recommended by the Centre for Social Justice,¹⁹⁶ to ensure that the principle that work should pay is realised in the new system; and**
- **The National Minimum Wage should be increased automatically at least in line with inflation or average earnings, whichever is the higher.**

Protect people in poverty from the increasing cost of living

The combination of falling incomes and rising prices has driven many people living in or near poverty into unsustainable debt. In order to protect vulnerable people suffering financial shocks from exploitation, a maximum level of interest should be set, along with action to crack down on unscrupulous lending. The government should also take positive action by promoting and funding credit unions, and ensuring that access to the Social Fund for those on very low incomes is protected and its resources expanded. In addition to protecting benefit levels (see below), the government should instigate an additional increase to reflect the higher inflation recently faced by people living in poverty (due to high food and energy prices) – which will also provide a short-term economic boost.

Rising energy prices have coincided with substantial increases in the profit margins of energy companies: the energy regulator, Ofgem, estimated that profit margins on dual-fuel deals for the big six energy companies increased by 733 per cent between June and October 2011, from £15 to £125 per household.¹⁹⁷ Oxfam is supporting calls for the government to take action to make the energy market work more in favour of people living in poverty, based on an independent public inquiry.¹⁹⁸

To protect people living in poverty from high energy prices, **the government should give the energy regulator, Ofgem, new powers to cap prices and eliminate excess profit.**

To ensure that people who are forced into debt by high prices do not have their situation further compounded by having to pay exploitative levels of interest on that debt, the government should:

- **Introduce a maximum level of interest; and**
- **Ensure that access to the Social Fund is maintained for those on very low incomes, and its resources expanded to meet increased demand.**

Reduce public service cuts

Public service cuts form the largest aspect of the government's response to the economic crisis. Yet these cuts to services disproportionately affect people living in poverty. In the short term, by changing the ratio of spending cuts to tax increases (see 'Shifting the iron triangle' above), the government can protect services by reducing the speed and depth of cuts. It is particularly crucial to protect services that support women and children, who are being hit hardest by public sector cuts. One quick way of doing this would be to reinstate the ring-fencing of the Sure Start grant to local authorities in England, while providing additional money to fund it so that other services are not affected.¹⁹⁹

To protect services for the longer term, the government can invest in services that create jobs and increase long-term growth (for example, through a national investment bank focusing on green, social, and other productive investment that is empowered to draw in funding from bond markets²⁰⁰). Investment in early years education through an expanded Sure Start scheme (following the positive example of Flying Start in Wales) and a universal system of child care would create employment (in a sector in which women are over-represented), and would help to make work pay for second earners and single parents (both of whom are more likely to be women). Such services are more cost-effective than the system of cash transfers that the UK currently relies heavily upon, while public services have proved particularly powerful in reducing inequality.²⁰¹

As immediate steps, the government should:

- **Slow the speed and depth of public service cuts by increasing progressive taxation instead;**
- **In particular, protect Sure Start services by reinstating the ring-fence to the Sure Start grant to local authorities in England; and**
- **Explore investing in a national system of universal child care.**

Protect the social safety-net

As discussed above, protecting the incomes of the poorest people, vital in itself, can also play a crucial role in stimulating the economy. Indeed, social protection spending, which must in the short term form the core of the boost to incomes, has been praised internationally for the double effect of fighting poverty and acting as a macro-economic stabiliser, thus fuelling demand.²⁰²

In the longer term, overcoming poverty and creating a sustainable economy can only be achieved by rebalancing incomes across society. This will require fair social protection that provides enough to live on but also acts as a springboard towards employment and progression. It also requires making all work decent work (see below). The UK urgently needs to begin a conversation about creating a pro-poor system of social protection for the post-crisis era, much as the Beveridge Report led the way after the twin crises of the Great Depression and the Second World War.

In the short term, the government should protect the level of out-of-work benefits by:

- **Ensuring that local authorities in England have sufficient resources to maintain existing levels of Council Tax Benefit, following the Scottish government's example;²⁰³**
- **Monitoring the effect of the Housing Benefit and overall benefit caps and reviewing them in light of social impacts; and**

- **Ending stealth cuts to benefits by reversing the switch in uprating from the RPI to the CPI measure of inflation, to protect benefit levels for those in or out of work.**

To protect the incomes of women in and out of work, who have been hit particularly hard by cuts to benefits:

- **Child Benefit levels for those on low and middle incomes should be maintained through a reversal of the freeze to 2014; and**
- **Cuts to child-care support should be reversed, to protect both incomes and work incentives, by restoring support for child-care costs for low-income families to pre-April 2011 levels of up to 80 per cent of costs, and through providing an adequate level of support for child-care costs in the new Universal Credit system.²⁰⁴**

Secure, affordable, decent housing for all

The UK is suffering from an acute housing crisis, with rents soaring and house building grinding to a halt. There is a clear, long-term need for housing²⁰⁵ but, in the short term, housing is also a very good way of stimulating the economy. House building generates a multiplier of 3.51, meaning that every pound invested adds £3.51 of output to the economy.²⁰⁶ Construction lead times are relatively short, especially given high unemployment among construction workers; house building is relatively labour-intensive, using skilled and unskilled labour; and the investment will create jobs in the UK.

Housing investment also supports the economy in the long term by increasing labour market mobility, with one in five businesses considering housing costs to be a constraint to their business growth.²⁰⁷ The investment will also boost government finances over the long term, with the creation of assets that generate rental income, and a reduction in spending on housing support through the benefits system – rising housing costs have meant that the average weekly Housing Benefit claim for recipients in the private rented sector has increased by 47 per cent in a decade.²⁰⁸

Investment in housing can also serve environmental as well as economic ends, for example through retrofitting existing housing stock. According to research by the Energy Saving Trust, full-scale refurbishment of the entire UK housing stock could support 4.7 million jobs and add £280bn to the economy (though of course a more modest programme could also be implemented).²⁰⁹ It would also have long-term benefits, saving £8.7bn a year on domestic energy bills and cutting CO₂ emissions by 48m tonnes.²¹⁰ Investing in retrofitting has the advantage that it can create jobs quickly, and the money remains in the UK, boosting the economy.

In addition, there is a need to provide greater protection for private tenants. Numbers in private housing have risen to 3.6 million households – one in six. There are now more than one million families with children renting privately, almost double the number five years ago.²¹¹ Promoting security for people who are likely to be in privately rented accommodation for the long term can help them to develop social assets and play an active part in their community. The government should as a matter of urgency explore ways to increase certainty of tenure and to stabilise rents. As an immediate step, it is crucial for action to be taken against serial ‘rogue landlords’ – of which local authorities say they are aware of 1,477. Complaints about the private rented sector have increased by 22 per cent in three years, with research suggesting that the true number of problems is more than four times higher than reported.²¹²

In the short term, the government should:

- **Invest in affordable homes to boost the economy and help solve the housing crisis; and**
- **Consider raising the maximum penalties for offences by landlords, including increasing maximum fines to make it more cost-effective to pursue prosecutions.**

Protect rights at work

In the short term, it is crucial that existing labour rights are protected. Higher levels of labour market regulation have not hindered economic recovery in countries such as Germany, while some observers have found ‘flexibility’ in the UK to be positively associated with unemployment.²¹³ Similarly, the UK’s high level of labour market flexibility has not resulted in a rapid return to growth or increased job creation as expected. As the CIPD has recently noted, ‘the case for wholesale employment deregulation is thus far from being a no-brainer’.²¹⁴ As such, it is vital to maintain and enforce existing rights.

In particular, it is vital to ensure that low-paid workers continue to have free access to employment tribunals, in light of the proposed introduction of a £200 fee. The government should also rigorously assess the decision to increase the qualification period for protection against unfair dismissal in light of its impacts on the job security of those at the bottom of the labour market and on employment levels.²¹⁵ Promoting security in work for those in employment will increase consumer confidence, encouraging spending, which is vital in the short term to boost demand in the economy.

It is also important that those with jobs are encouraged to enter into dialogue with employers, so that they can better balance work with their responsibilities. As research has shown, extending the right to request flexible working to all workers would be a driver towards wider provision of flexible working arrangements,²¹⁶ improving the ability of those on low-paid, temporary contracts to negotiate for better working

conditions.

Furthermore, the government should protect workers' existing rights more effectively and efficiently, prioritising sectors in which labour rights violations are significantly high.²¹⁷ This would ensure that those at most risk of exploitation by unscrupulous employers in today's tough economic climate are able to secure their livelihoods. Better protection of existing rights could be achieved by applying the cost-effective working practices of the Gangmasters Licensing Authority (GLA) to other sectors of the economy, including hospitality, construction, and social care. In the long term, protecting labour rights is an essential part of ensuring that decent work becomes the norm in the UK, and that in-work poverty is eradicated. It requires making all work decent work, with strong, enforced labour rights and wages that provide enough to live on. Strengthening the bargaining power of workers over labour rights and pay levels will help to ensure that there is upward pressure on wages and conditions for those on low incomes, and downward pressure on inequality. Long-term solutions will also include the creation of a single Employment Status that affords 'Workers' (including temporary workers) the same employment rights as 'Employees'.²¹⁸

In the short term, the government should:

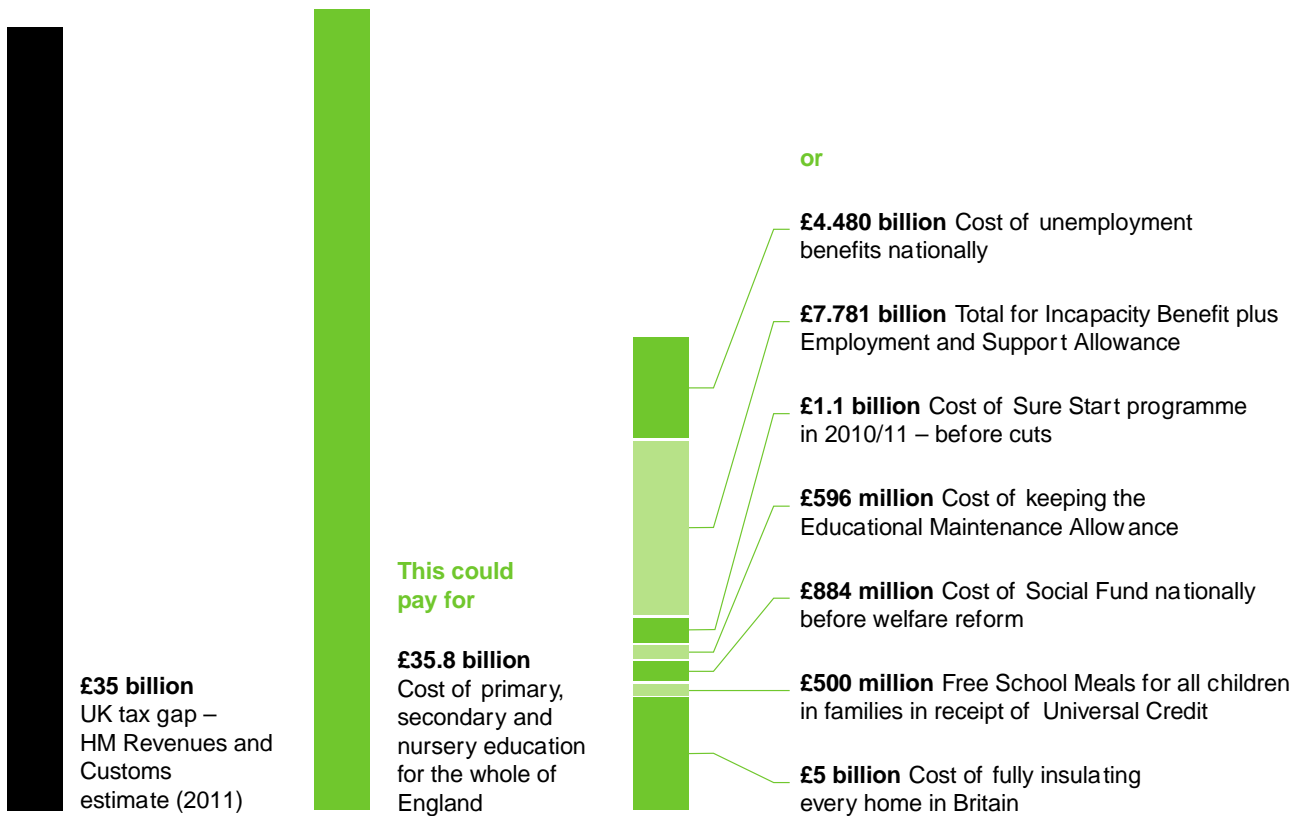
- **Protect access to justice by exempting low-income workers from employment tribunal fees;**
- **Apply the working practices of the Gangmasters Licensing Authority to other sectors of the economy, prioritising hospitality, construction, and social care; and**
- **Extend the right to request flexible working to all workers.**

A fairer tax system

As discussed above, tax increases undertaken with the aim of closing the fiscal deficit under the current government have been regressive overall.²¹⁹ In the short term, it makes social and economic sense to ensure that any further tax increases are progressive in nature, and that any future tax cuts to stimulate that economy are targeted at people on low incomes.

Given the squeeze on incomes among those paid the least, where revenue does need to be raised – for government investment, to boost the incomes of the poorest, or to reduce the fiscal deficit once the economy is moving – targeting tax avoidance should be the first priority. According to HM Revenue and Customs, the UK tax gap is £35bn a year,²²⁰ while other sources estimate that it could be as high as £120bn a year.²²¹ The proposed introduction of a statutory general anti-avoidance rule (GAAR) promises to be a good short-term method of clamping down on tax evasion, prior to addressing the fundamental causes of avoidance in the medium term.²²²

Figure 9: What the UK tax gap could pay for²²³



Much of the current deficit was caused by the cost of bailing out financial institutions. In the long run, to create a sustainable economy, we will need to construct a financial system that serves the economy, rather than its own interests, and as such it will be desirable to promote productive investment and to discourage speculation. Part of that will be achieved by reducing the need for a large financial sector by reducing inequality and therefore the need for debt-fuelled consumption by the poorest. But in the short term, a financial transaction tax (FTT) could help both to dampen the most destructive financial speculation and to raise vital revenue.²²⁴ A modest FTT of 0.05 per cent could raise £20bn per year, which the financial sector could afford,²²⁵ and which represents almost twice as much as the increase in VAT. VAT has double the impact on the poorest tenth of the population as on the richest tenth,²²⁶ and the IMF has said that an FTT would be 'highly progressive', falling predominantly on the richest institutions and individuals in society.²²⁷

In the long term, a progressive tax system would help to tackle inequality: at present, the poorest pay more of their incomes in tax than the richest.²²⁸ Progressiveness must be built into the system as a whole. This allows green taxes to be introduced to help reduce the UK's ecological footprint, without such taxes unduly affecting people living in poverty as their regressive effects are offset elsewhere in the system. The details of a fairer tax system for the long run will be subject to debate in the years ahead, but the policies and priorities could include:

- A focus on targeting wealth inequality, since wealth is essential as a cushion against economic shocks²²⁹ and helps to facilitate economic

independence and reduce vulnerability to exploitation;²³⁰

- Discouraging asset bubbles and wealth inequality through a form of land value tax,²³¹ which has advantages over other methods of tackling inequality, since it is less vulnerable to global wage and tax competition;²³²
- Tackling the long-term causes of tax avoidance, for example by equalising taxes on income and capital gains;²³³
- Rethinking the contribution of businesses: companies paying below a 'living wage' cost the taxpayer between £5.9bn and £6.3bn a year in benefit payments and loss of tax,²³⁴ while the largest companies, which operate in tax havens, pay just 5.75 per cent tax on the resulting profits.²³⁵

In the short term, to raise money to protect essential services, the government should:

- **Proactively clamp down on tax avoidance and evasion to ensure that all tax that is levied is collected;**
- **Introduce a 'Robin Hood Tax' on financial transactions of 0.05 per cent, to raise money for services and benefits at home and to fight poverty overseas; and**
- **Examine options for a land value tax.**

6

The long-term case for a fairer society

There is a strong relationship in the UK between poverty and inequality. The UK is a rich society, but one in which income, wealth, and opportunity are unequally distributed. Yet inequality causes damage not only to those who are shut out from wealth and left in poverty: there is also a substantial body of evidence demonstrating that it leads to worse outcomes across society as a whole. On a range of indicators, from violence and imprisonment, through physical and mental health, to social mobility, more equal societies fare better across the board.²³⁶

Meanwhile, the economic crisis in which we find ourselves is to a large extent due to unsustainable levels of personal debt and a bloated financial sector, both of which were substantively driven by ballooning levels of inequality. These left people in poverty (and vast swathes of those in the middle) with insufficient income to meet their consumption needs (especially with pressure to consume fostered by an unequal society in which status anxiety is rife), while the rich were left with a surplus of capital from corporate profits and accelerating personal incomes, for financial speculation. The resultant combination of debt-fuelled consumption at the bottom and widespread speculation at the top – and the vast edifice of financial institutions that facilitated it – have led to an unbalanced and unsustainable economy, which is trapped in long-term stagnation.

Finally, as a whole, humanity is using up nature's renewable resources between 20 per cent and 50 per cent faster than the planet can renew them.²³⁷ The UK's contribution to the global ecological footprint is far out of proportion to its size: if everyone in the world consumed the planet's resources in the way that the UK does, humanity would need more than three planets to sustain itself.²³⁸ Over the past 15 years, the UK has modestly decoupled its production-based carbon emissions from economic growth, but this is reversed if consumption-based emissions – i.e. the carbon emissions embodied in net imports – are also taken into account. Carbon emissions will need to fall far more rapidly and more consistently if the UK's economic growth is to decouple from carbon use and become environmentally sustainable.²³⁹ Our society and the economy that serves it require a substantial reordering if we are to meet the interlocking challenges of social justice, sustained economic recovery, and environmental sustainability. Each of these is necessary if we are to achieve a lasting end to the Perfect Storm.

The impact of inequality on individuals and society

'In Britain or Glasgow as a whole, it's all slowly eroding. You see wealth creation, and you see wealth, but it never filters down. So you see the very poor getting poorer.'

Audrey Flannaghan, Trussell Trust food bank manager in Glasgow, Scotland

Inequality has the harshest impact on those forced to remain at the lower end of the income spectrum. It breeds a sense of hopelessness and status anxiety,²⁴⁰ and the experience of inequality is often feeling that 'you've lost the competition'.²⁴¹ Status anxiety in turn encourages materialistic goals, and there is evidence linking this consumerism with children in low-income households feeling unsafe and insecure.²⁴² Where an individual has an unfavourable relative position in a social hierarchy, this creates chronic stress if they are without other resources to buffer against the damage to well-being.²⁴³ Wealth and income disparities have a negative impact on those at the bottom of the income distribution, over and above the impact of insufficient income.²⁴⁴

More broadly, inequality has negative impacts across society as a whole, beyond those individuals who find themselves at the wrong end of the income spectrum. There is comprehensive evidence – from numerous countries – that life expectancy, social mobility, health outcomes, and a range of other social problems, from murder rates to levels of infant mortality, are all directly related to levels of inequality in societies. Yet within rich countries, there is no link between income per head and social well-being. Rather, it is the way in which resources are distributed within society that is the key determinant of overall well-being, once a country has reached a certain level of income.²⁴⁵

'They [the media] portray a certain material lifestyle that not everyone can achieve. Society is splitting into two halves: the haves and the have-nots; the people who can achieve this lifestyle and those who can't. London has been broken down into very different areas now. You can predict what is going to happen to the upbringing of a child from one place to another.'

Dionne, single mother of four, London

Therefore, from the perspective of the UK's social development, the overall level of GDP growth is less important than what that growth looks like, and whom it benefits. Brazil's economy grew by 2.5 a year from 1990 to 2009 and the poverty rate halved; Peru's grew by 3.9 per cent a year from 1997 to 2007, and poverty increased.²⁴⁶ Based on a large sample of countries, former chief economist of the World Bank Francois Bourguignon found that variation in growth rates on their own explained only 26 per cent of the variation between countries in rates of poverty reduction.²⁴⁷ Policies that lower inequality can both reduce poverty immediately and accelerate the poverty-reducing impact of growth in the future – this is known as the 'double dividend' of redistribution.²⁴⁸ On that basis, the UK has been doing very badly for some time – 40 per cent of income growth from 1998/99 to 2008/09 went to the richest 10 per cent of the population²⁴⁹ – and by international standards, with one of the highest levels of inequality in the OECD.²⁵⁰

The economic case for greater equality

With economic growth for the past three decades being unequally shared, and incomes stagnant at the bottom of the distribution, low earners, and particularly the millions living in poverty, have increasingly needed to resort to borrowing to maintain a decent

standard of living. While average real incomes have stagnated,²⁵¹ incomes at the top have raced away, with the share of income going to the top 0.1 per cent of earners increasing by two-and-a-half times in the past three decades,²⁵² and the top tenth enjoying pay increases four times higher than low earners in the same period.²⁵³ The share of national output taken by wages fell from 60 per cent in 1980 to 53 per cent in 2008.²⁵⁴ As a result, the proportion of people working on low pay has doubled to more than one in five.²⁵⁵ Consumption levels for those on low incomes have been maintained through a bubble of consumer debt, which lax financial regulation has helped to inflate. Personal debt increased by three-and-a-half times between 1981 and 2007, from 45 per cent to 160 per cent of GDP.²⁵⁶

Bridging this widening gap in incomes with borrowing cannot be maintained indefinitely. We have developed a society in which those at the bottom need to borrow to survive, and those at the top have enormous amounts of money to lend (even once they have substantially increased their consumption), leading to an expanded financial sector. This led the lead economist in the World Bank research group, Branko Milanovic, to conclude that 'the real cause of the crisis lies in huge inequalities in income distribution that generated much larger investable funds than could be profitably employed'.²⁵⁷ The IMF has recently produced evidence reaching the same conclusion,²⁵⁸ and suggests that 'any success in reducing income inequality could therefore be very useful in reducing the likelihood of future crises'.²⁵⁹

In addition, inequality is bad for growth. Detailed investigation of data from both developed and developing countries from the mid-1990s onwards offers significant evidence that a high level of inequality is a barrier to future economic growth.²⁶⁰ Indeed, the Asian Development Bank (ADB) suggests that growth and equality can 'be seen as part of a virtuous circle'.²⁶¹ Research by the IMF shows that income inequality is a 'key driver of the duration of "growth spells": i.e. economic growth is much more likely to endure in countries with more equal income distributions. The IMF suggests that the effect is large, and estimates that closing half of the inequality gap between Latin America and emerging Asian economies would more than double the expected duration of a 'growth spell'.²⁶²

Greater equality, then, is good for society, but it is also good for the economy as a whole. According to a recent Oxfam International report on the G20, 'if we factor in the impact on growth, the double dividend of tackling inequality becomes a triple dividend: it directly reduces poverty, enhances the ability of future growth to reduce poverty, and, finally, it improves prospects for growth itself.'²⁶³

No return to business as usual

What we see, then, is a synergy of social, economical, and environmental necessities. In order to effect a lasting solution to the crisis, steps taken to fight economic stagnation and to protect people living in poverty must seek to build a fairer, more sustainable society.

That task is a long-term one, and Oxfam is committed to being part of the conversation about what such a society would look like. Yet the outlines are clear. We need a society underpinned by decent work that pays enough to live on, and in which the distribution of resources is far more equal than it is today. We also need a system of social protection that acts both as a safety net and as a springboard, preventing poverty without trapping anyone on benefits. And the imperative to reduce the UK's ecological footprint should be imprinted across everything we do as a society, building towards an environmentally sustainable future.

As the IMF points out, even successful debt reduction on its own will only store up more problems for later, since 'a long-lasting trend toward higher debt-to-income ratios resumes immediately after the debt reduction, because workers continue to have a reduced share of the economy's income'.²⁶⁴ We therefore need to restore the earnings of workers as a proportion of national income to stave off future crises. The blend of solutions could include strengthening the collective bargaining power of workers,²⁶⁵ switching from labour income taxes to economic rents (such as taxes on land, natural resources, or the financial sector),²⁶⁶ and tackling excessive incomes at the top of the distribution.²⁶⁷

Add in the social costs of continuing inequality, and the ecological imperative to decouple economic output from environmental resource use, and it is clear that we need a new paradigm. The details are up for debate, and should urgently be the subject of national conversation, but one thing is clear: there can be no return to business as usual.

Rethinking what we value as a society

The social damage wrought by inequality, persistently high unemployment, and the unsustainable ecological footprint incurred in achieving growth all tell us that it is not growth that matters, but the type and distribution of growth. It is clear that our predominant mode of measuring economic success, GDP, is no longer fit for purpose (if it ever was).

We therefore need to reconsider how we measure what we value as a society. Oxfam in Scotland is leading on this, through the development of a Humankind Index, which is based on asking people in Scotland what matters to them, and then measuring those things, to see how well Scotland is doing as a society.²⁶⁸ The UK government's commitment to exploring measures of well-being is welcome,²⁶⁹ and Oxfam would encourage it to adopt a similarly wide-ranging approach to the Humankind Index, so that it can be sure that steps taken now will build a new post-crisis economy and society that sustainably serve the interests of the British people. More emphasis should be placed upon social return on investment, rather than on more conventional measures based on cost and price.²⁷⁰

Conclusion and summary of urgent recommendations

In the aftermath of the recession, economic stagnation, falling real incomes, and public service cuts are all hitting people living in poverty the hardest. The combined impacts of all of these factors add up to a Perfect Storm which is pushing people's livelihoods to breaking point. The current government approach, of balancing the budget on the backs of the poorest, is not working, socially or economically.

The crisis we are in could be an opportunity to change thinking about what a fair society looks like, and to build the foundations for overcoming poverty once and for all. In the long term, people, government, and businesses must all be part of that effort. Yet we need urgent action right now to reinvigorate both the economy and the social safety-net on which most of us ultimately rely. We also need to do so in a way which sets us on the road to a fair, productive, and sustainable society.

To defend the rights of people who are in poverty or vulnerable to poverty, and to start us on the road to economic recovery, we need urgent action now on each aspect of the Perfect Storm. Only the state has the resources and the reach to take these immediate steps.

Therefore, we urge the government to:

- **Protect the incomes of the low paid**, reducing the withdrawal rate of Universal Credit from 65 per cent to 55 per cent to ensure that work pays, and increasing the National Minimum Wage at least in line with inflation or average earnings, whichever is the higher;
- **Protect people in poverty from the increasing cost of living**, by giving new powers to Ofgem to cap fuel prices; introducing a maximum level of interest; and protecting the Social Fund and expanding its resources, to protect people from exploitation and to guard against problem debt;
- **Protect public services**, by using progressive taxation to slow the speed and depth of cuts; ring-fencing the Sure Start grant to local authorities in England; and exploring investing in a national system of universal child care, to make work pay for women and to build the social infrastructure of the country;
- **Protect the social safety-net**, by giving local authorities in England and Wales sufficient resources to maintain existing levels of Council Tax Benefit; monitoring the effect of the Housing Benefit and overall benefit caps; reversing the switch from RPI to CPI inflation for benefit uprating; maintaining real Child Benefit levels; and reversing cuts to child-care support;
- **Provide secure, affordable, decent housing for all**, by investing in affordable homes to boost the economy and to help solve the housing crisis; and increasing maximum penalties for rogue landlords;
- **Protect rights at work**: the weak labour market is adding to the

power that employers have over workers, and so it is essential to maintain and enforce the vital protections that do exist for vulnerable workers;

- **Move towards a fairer tax system** by clamping down on tax avoidance; introducing a Robin Hood Tax on financial transactions, to help protect public services and benefits and ensure that everyone pays their fair share; and exploring options for a land value tax; and
- **Rethink how we measure value:** the social damage caused by inequality, high unemployment, and environmental degradation all tell us that it is not growth that matters, but the type and distribution of growth; measuring true social value through a measure of well-being such as Oxfam Scotland's Humankind Index will help us to measure whether what we are doing to fix the economy is really, sustainably benefiting society.

Notes

- ¹ Department for Work and Pensions (DWP) (2011) 'Households Below Average Income 1994/5–2009/10'. Figures for 2009/10, May 2011
- ² M. Haddad with A. Bance (2009) 'Close to Home: UK poverty and the economic downturn', Oxfam GB, April 2009
- ³ World Bank (2010). Countries ranked by GDP at purchaser's prices.
- ⁴ DWP (2011) 'Households Below Average Income 1994/5–2009/10', op. cit.
- ⁵ Defined as having a household income below 60 per cent of median income.
- ⁶ DWP (2011) 'Households Below Average Income 1994/5–2009/10', op. cit.; and Institute for Fiscal Studies (IFS) (earlier years).
- ⁷ 'DWP (2011) 'Households Below Average Income 1994/5–2009/10', op. cit. Figures for 1998/99 and 2008/09.
- ⁸ <http://www.poverty.org.uk>, calculated from DWP, 'Households Below Average Income' (1994/95 onwards) and the Family Expenditure Survey (earlier years).
- ⁹ DWP (2011) 'Households Below Average Income 1994/5–2009/10', op. cit.
- ¹⁰ DWP (2011) 'Abstract of Statistics for Benefits, National Insurance Contributions, and Indices of Prices and Earnings, 2010 Edition', July 2011.
- ¹¹ Poverty risk among working-age adults is 70 per cent for unemployed families; 57 per cent for economically inactive families; and (notably) 28 per cent for those with some paid work. Source: DWP (2010) 'Households Below Average Income 1994/95–2008/09', May 2010.
- ¹² H. Reed and N. Lawson (2011) 'Plan B: A good economy for a good society', Compass, October 2011.
- ¹³ DWP, 'Households Below Average Income' series.
- ¹⁴ C. Warburton Brown (2011) 'Exploring BME Maternal Poverty: The financial lives of ethnic minority mothers in Tyne and Wear', Oxfam GB, January 2011.
- ¹⁵ Fawcett Society (2012) 'The Impact of Austerity on Women', Policy Briefing, March 2012.
- ¹⁶ DWP (2011) 'Households Below Average Income 1994/5–2009/10', op. cit.
- ¹⁷ Ibid.
- ¹⁸ See, for example, C. Warburton Brown (2011) op. cit.
- ¹⁹ Estimated at 16.4 per cent. Fawcett Society (2010) 'Equal Pay: Where Next?', November 2010.
- ²⁰ DWP (2011) 'Households Below Average Income 1994/5–2009/10', op. cit.
- ²¹ Adjusting for regional price relativities. Institute for Fiscal Studies (IFS) (2011) 'Poverty and Inequality in the UK: 2011', May 2011.
- ²² DWP (2011) 'Households Below Average Income 1994/5–2009/10', op. cit.
- ²³ At 99 per cent of the UK average, ranking fourth of 12 regions and countries of the UK. Office for National Statistics (ONS) (2011) 'Regional Gross Disposable Household Income (GDHI) 1995–2009', March 2011.
- ²⁴ ONS (2009) 'NUTS3 Regional Gross Value Added 1995–2007', December 2009.
- ²⁵ Government Equalities Office (2010) 'An Anatomy of Economic Inequality in the UK'.
- ²⁶ Department of Energy and Climate Change (DECC) (2011) 'Annual Report on Fuel Poverty Statistics 2011'.
- ²⁷ J. Hills (2011) 'Fuel Poverty: The problem and its measurement', Interim Report of the Fuel Poverty Review, Department for Energy and Climate Change, October 2011.
- ²⁸ Save the Children (2010) 'The UK Poverty Rip-Off: The Poverty Premium 2010'.
- ²⁹ The Marmot Review (2010) 'Fair Society, Healthy Lives'.
- ³⁰ K. Trebeck (forthcoming) 'Our Economy', Oxfam GB.
- ³¹ ONS (2011) 'Life Expectancy at Birth and at the Age 65 by Local Areas in the United Kingdom 2004–06 to 2008–10', October 2011.
- ³² The Marmot Review (2010) op. cit.
- ³³ For example, one study suggested that the loss of life from income inequality in the USA in 1990 was the equivalent of the combined loss of life due to lung cancer, diabetes, motor vehicle accidents, HIV-related causes, suicide, and homicide. J.W. Lynch et al. (1998) 'Income inequality and mortality in metropolitan areas of the United States', *American Journal of Public Health*, 88(7), 1074–80.
- ³⁴ DWP (2011) 'Abstract of Statistics for Benefits, National Insurance Contributions, and Indices of Prices and Earnings, 2010 Edition', op. cit.
- ³⁵ For more detail, see C. Cochrane (2010) 'Something for Nothing', Oxfam GB, May 2010.
- ³⁶ National Institute of Economic and Social Research (NIESR). <http://www.niesr.ac.uk/images/progres3a.jpg>

- ³⁷ ONS (2012) 'Economic Review – April 2012', 25 April 2012.
- ³⁸ HM Treasury (2010) 'Spending Review 2010', HM Treasury, October 2010.
- ³⁹ Oxfam GB: UK Partner Survey, October 2011.
- ⁴⁰ Seventy-seven per cent of partners surveyed. Oxfam GB: UK Partner Survey, op. cit.
- ⁴¹ D. Weldon (2011) 'Far from cutting debt Osborne's plans will make it soar', *False Economy*, 29 March 2011. <http://falseeconomy.org.uk/blog/household-debt-up>
- ⁴² The Trussell Trust (2012) 'UK foodbanks double numbers fed in one year', press release: 26 April 2012. <http://www.trusselltrust.org/resources/documents/UK-foodbanks-double-numbers-fed-in-one-year1.pdf>
- ⁴³ See, for example, Women's Budget Group (2005) 'Women's and Children's Poverty: Making the links'.
- ⁴⁴ IFS (2011) 'Child and Working-Age Poverty from 2010 to 2020', October 2011.
- ⁴⁵ According to the IFS, real household incomes from 2008–11 will have fallen by 1.6 per cent. IFS (2011) 'Living Standards during the Recession', March 2011
- ⁴⁶ ONS (2012) 'Average Weekly Earnings', April 2012.
- ⁴⁷ ONS, Consumer Price Index – Time Series data, retrieved May 2012.
- ⁴⁸ ONS (2011) '2011 Annual Survey of Hours and Earnings', November 2011.
- ⁴⁹ Chartered Institute of Personnel and Development (CIPD) (2011) 'Employee Outlook: Focus on pay', August 2011.
- ⁵⁰ ONS. Figures for the NMW increase and CPI inflation respectively were: October 2008, 3.8 per cent and 4.5 per cent; October 2009, 1.5 per cent and 1.5 per cent; October 2010, 2.2 per cent and 3.2 per cent; October 2011, 2.5 per cent and 5 per cent.
- ⁵¹ ONS (2011) '2011 Annual Survey of Hours and Earnings', op. cit.
- ⁵² Incomes Data Service (2011) 'FTSE 100 directors get 49 per cent increase in total earnings', press release, 26 October 2011.
- ⁵³ The High Pay Commission (2011) 'Cheques With Balances: Why tackling high pay is in the national interest, Final report', November 2011.
- ⁵⁴ DWP (2010) 'Households Below Average Income 1994/95–2008/09', op. cit.
- ⁵⁵ IFS (2011) 'Poverty and Inequality in the UK: 2011', May 2011.
- ⁵⁶ IFS (2010) 'The Distributional Effect of Tax and Benefit Reforms to be Introduced between June 2010 and April 2014: A revised assessment', August 2010.
- ⁵⁷ ONS (2012) 'Labour Force Survey', March 2012.
- ⁵⁸ ONS (2012) 'Public Sector Employment – Q4 2011', March 2012.
- ⁵⁹ ONS (2012) 'Labour Force Survey', March 2012.
- ⁶⁰ Ibid.
- ⁶¹ See, for example, D.N.F. Bell and D.G. Blanchflower (2011) 'Young People and the Great Recession', IZA, April 2011.
- ⁶² B. Coles, C. Godfrey, A. Keung, et al. (2010) 'Estimating the Life-time Cost of NEET: 16–18 year olds not in Education, Employment or Training', University of York.
- ⁶³ The Labour Market Outlook net employment index, which measures the difference between the proportion of employers who intend to increase total staffing levels and those who intend to reduce them, stands at -8; this is the worst net employment balance score since the recession began. CIPD (2012) 'Labour Market Outlook, Winter 2011–12', February 2012.
- ⁶⁴ B. Athwal, L. Brill, G. Chesters, and M. Quiggin (2011) 'Recession, Poverty and Sustainable Livelihoods in Bradford', Joseph Rowntree Foundation (JRF), p.27.
- ⁶⁵ ONS (2012) 'Labour Market Statistical Bulletin: March 2012', p.2.
- ⁶⁶ Oxfam GB: UK Partner Survey, op. cit.
- ⁶⁷ The share of wages as a proportion of GDP peaked at a high of 64.5 per cent in 1975. It then started drifting downwards reaching a post-war low of 51.7% in 1996. In 2008, the share of wages was 53.2%. ONS cited in Trades Union Congress (2009), 'Unfair to Middling: How Middle Income Britain's shrinking wages fuelled the crash', Trades Union Congress.
- ⁶⁸ Between 1977 and 2010, people in the bottom half of earnings distribution saw their share of gross value added (GVA) drop from 16.2 per cent to 12 per cent, and the bottom 10 per cent saw their share drop from 1.2 per cent to 0.8 per cent. Resolution Foundation (2011) 'Missing Out'.
- ⁶⁹ Between 1977 and 2010, the share of GVA accrued as capital (profits and business return) increased from 36 per cent to 39 per cent, the top 10 per cent of earners increased their share of GVA from 11.7 per cent to 14.2 per cent, and the top 1 per cent increased their share from 2 per cent to 3.1 per cent. Ibid.
- ⁷⁰ S. Lansley (2011) 'Britain's Livelihood Crisis', Trades Union Congress.
- ⁷¹ ClearDebt (2011) '2010: Unsecured Debt Amongst Poorest Households Goes Up'.
- ⁷² ONS, Consumer Price Indices – Time Series data, retrieved April 2012. The current (April 2012) rate of inflation is 3.0 per cent (CPI); 3.5 per cent (RPI).
- ⁷³ ONS (2011) 'The Effects of Taxes and Benefits on Household Income, 2009/10', May 2011.
- ⁷⁴ ONS (2011) 'Poorest Households Spending More on VATable Items than in 1986',

October 2011.

- ⁷⁵ March 2007 to March 2012, calculations based on ONS, Consumer Price Indices – Time Series data, retrieved May 2012.
- ⁷⁶ Government Office for Science (2011) 'The Future of Food and Farming. Final Project Report', Government Office for Science.
- ⁷⁷ IFS (2011) 'The Spending Patterns and Inflation Experience of Low-Income Households over the Past Decade', P. Levell and Z. Oldfield, June 2011.
- ⁷⁸ M. Brough (2011), Deutsche Bank, cited in Daily Mail (2011), 'Gas and electricity prices are set to soar by an average of £500 over next four years', 14 May 2011. <http://www.dailymail.co.uk/news/article-1386847/Gas-electricity-prices-set-soar-50-year.html>
- ⁷⁹ Consumer Focus (2011), 'Fuel Poverty Statistics NowCast 2011', November 2011. <http://www.consumerfocus.org.uk/files/2011/10/Estimated-UK-fuel-poverty-levels-in-November-2011-xlsx-247-KB.xlsx>
- ⁸⁰ Save the Children (2010) 'The UK Poverty Rip-Off: The Poverty Premium 2010'.
- ⁸¹ IFS (2011) 'The Spending Patterns and Inflation Experience of Low-Income Households over the Past Decade', op. cit.
- ⁸² JRF (2011) 'A Minimum Income Standard for the UK in 2011', D. Hirsch, July 2011.
- ⁸³ Oxfam GB: UK Partner Survey, op. cit.
- ⁸⁴ HM Treasury (2012) 'Budget 2012'.
- ⁸⁵ A loss in income and services equivalent to 20.3 per cent of household income for the poorest tenth of households, and 1.5 per cent of household income for the richest tenth. T. Horton and H. Reed (2010) 'Where the Money Goes: How We Benefit From Public Services', Trades Union Congress (TUC), September 2010.
- ⁸⁶ D. Taylor-Robinson (2011) 'Bigger cuts to local authority budgets in the most deprived areas are likely to widen health inequalities', London School of Economics, 4 April 2011. <http://blogs.lse.ac.uk/politicsandpolicy/2011/04/04/bigger-cuts-to-most-deprived-local-authorities-widen-health-inequalities/>; and Channel 4 (2011) 'Minister admits poorest areas will be hardest hit by cuts', 31 March 2011. <http://www.channel4.com/news/minister-admits-poorest-areas-will-be-hardest-hit-by-cuts>
- ⁸⁷ NEWomen's Network (2011) 'Findings of the Health of the Women's Sector in the North East', December 2011.
- ⁸⁸ Ibid.
- ⁸⁹ See Centre for Human Rights in Practice, University of Warwick and Coventry Women's Voices (2011) 'Unravelling Equality? A Human Rights and Equality Impact Assessment of the Public Spending Cuts on Women in Coventry'; and Bristol Fawcett Society (2011) 'Cutting Women Out in Bristol'
- ⁹⁰ Hansard (2011) Written Answer, 14 November 2011. <http://www.publications.parliament.uk/pa/ld201011/ldhansrd/text/111114-0001.htm>
- ⁹¹ Fawcett Society (2012) 'The Impact of Austerity on Women', op cit..
- ⁹² Organisation for Economic Cooperation and Development (OECD) (2011) 'Doing Better for Families'.
- ⁹³ JRF (2011) 'A Minimum Income Standard for the UK in 2011', op. cit.
- ⁹⁴ Welsh Assembly Government (2010) 'Eradicating Child Poverty in Wales: Child Poverty Milestones and Targets Update', November 2010.
- ⁹⁵ Public sector employment fell from 6.212 million in Q4 2010 to 5.942 million in Q4 2011. ONS (2012) 'Public Sector Employment – Q4 2011 Statistical Bulletin', March 2012.
- ⁹⁶ Trades Union Congress (TUC) (2012) 'Women's Pay and Employment Update: A public/private sector comparison', March 2012.
- ⁹⁷ Women's Budget Group (2011) 'Osborne & his team propose 'stealth tax' on women''' press release, 20 October 2010 http://www.wbg.org.uk/documents/WBG_CSR_Announcement_Press_Release_20_October_2010.pdf
- ⁹⁸ Gingerbread (2011) 'Tax credit cuts will hammer hard-working single parents', 10 March 2011. <http://www.gingerbread.org.uk/news/99/Tax-credit-cuts-hammer-single-parents>
- ⁹⁹ From 20.6 per cent in November 1979 to 10.9 per cent in April 2010. DWP (2011) 'Abstract of Statistics for Benefits, National Insurance Contributions, and Indices of Prices and Earnings, 2010 Edition', op. cit.
- ¹⁰⁰ Ibid. Calculations based on ratio of unemployment benefits to earnings in November 1979 and April 2010.
- ¹⁰¹ IFS (2010) 'The Distributional Effect of Tax and Benefit Reforms to be Introduced between June 2010 and April 2014: A revised assessment'.
- ¹⁰² Cutswatch Cymru (2012) 'Wales on the Edge: An overview of the current and predicted impact of welfare reforms on people and communities across Wales', February 2012.
- ¹⁰³ For the experiences of an Oxfam partner, the Clydebank Independent Resource Centre, relating to the introduction of Employment and Support Allowance, see C. Collins (2009) 'To Banker, From Bankies: Incapacity Benefit: Myth and Realities',

- Oxfam GB.
- ¹⁰⁴ Oxfam GB's UK Partner Survey, op. cit.
- ¹⁰⁵ It reports that 11.47 per cent received crisis food support due to 'benefit changes' and 29.59 per cent due to 'benefit delay'. Trussell Trust (2012) 'Trussell Trust Foodbank Network Summary for Financial Year 2011–12', April 2012.
- ¹⁰⁶ Cutswatch Cymru (2012) 'Wales on the Edge', op. cit.
- ¹⁰⁷ Fawcett Society (2012) 'The Impact of Austerity on Women', op. cit.
- ¹⁰⁸ Fawcett Society (2005) 'Who Benefits? A gender analysis of the UK benefits and tax credits system'.
- ¹⁰⁹ Gender audit of the June 2010 Emergency Budget, commissioned by Yvette Cooper M.P.
<http://www.yvettecooper.com/uploads/80cd9d9f-7659-7584-2578-8d558da3ccc1.xls>
- ¹¹⁰ *The Guardian* (2010) 'Cuts will hit women twice as hard as men, Commons research shows', 22 October 2010.
<http://www.guardian.co.uk/politics/2010/oct/22/cuts-women-spending-review>
- ¹¹¹ See, for example, D. Hirsch (2011) 'Childcare Support and the Hours Trap', Resolution Foundation, May 2011.
- ¹¹² For more detail on these arguments, see J. Veitch (2010) 'A Gender Perspective on 21st Welfare Reform', Oxfam GB, October 2010.
- ¹¹³ This is explored in more detail in Part 5 of this paper.
- ¹¹⁴ Communities and Local Government (2009) 'Local Authority Housing Statistics, England: 2007/08: Housing Strategy Statistical Appendix and Business Plan Statistical Appendix'.
- ¹¹⁵ Communities and Local Government (2007) 'Homes for the Future: More Affordable, More Sustainable'.
- ¹¹⁶ Communities and Local Government (2011) 'House Building: March Quarter 2011, England', May 2011.
- ¹¹⁷ As at 31 March 2011. The Scottish Government (2011) 'Housing Statistics for Scotland – Housing Lists', September 2011.
- ¹¹⁸ As at end December 2011. The Scottish Government (2012) 'Quarterly Reference Tables: Households in temporary accommodation to 31 December 2011', March 2012.
- ¹¹⁹ A fall from 25,741 in 2007 to 15,150 in 2011. The Scottish Government (2012) 'Housing Statistics for Scotland – All sector new build', May 2012.
- ¹²⁰ General Register Office for Scotland (2010) 'Household Projections for Scotland, 2008-based', May 2010.
- ¹²¹ B. Turffrey (2010) 'The Human Cost: How the lack of affordable housing impacts on all aspects of life', Shelter, March 2010.
- ¹²² Ibid.
- ¹²³ Communities and Local Government (2012) 'Statutory Homelessness: October–December Quarter 2011, England', March 2012.
- ¹²⁴ Welsh Government (2012) 'Homelessness, October to December 2011', April 2012.
- ¹²⁵ Scottish Government (2012) 'Operation of the Homeless Persons Legislation in Scotland: Quarters ending 30 June and 30 September 2011 (including households in temporary accommodation at 31 December 2011', February 2012.
- ¹²⁶ Nationwide Building Society, House Price Index, Q2 2011.
- ¹²⁷ Clydesdale and Yorkshire Banks (2011) 84 percent of first time buyers rely on parental support, 26 May 2011
<http://www.cbonline.co.uk/media/news-releases/2011/84-percent-of-first-time-buyers-rely-on-parental-support> The figure for 2005 was 38 per cent, according to the Council of Mortgage Lenders.
- ¹²⁸ In the decade to 2006, the number of recipients in the private rented sector fell by 21 per cent from 1,066,000 to 838,000, while their average weekly Housing Benefit increased by 47 per cent, from £58 to £85. As a proportion of all benefits and tax credits, Housing Benefit has remained relatively stable at around 14 per cent of the total for the past 20 years, yet total expenditure has risen sharply, with increased rents, from £12bn in 2003/04 to over £20bn in 2009/10. Building and Social Housing Foundation (2010) 'Support with Housing Costs: Developing a simplified and sustainable system'.
- ¹²⁹ The average house price in Q3 2008 was £165,188, and stood at £162,722 for Q1 2012. Nationwide Building Society, House Price Index.
- ¹³⁰ Defined as a median private rent for a two-bedroom house which costs more than 35 per cent of median take-home pay. Shelter (2011) 'Private Rent Watch, Report One', October 2011.
- ¹³¹ Cambridge Centre for Housing and Planning Research (2011) 'Market-Pegged Social Rents and Local Income Distributions', University of Cambridge, July 2011.
- ¹³² In February 2012, the average rent in England and Wales fell by 0.6 per cent to £707 per month, following a rise in January. Despite the monthly drop, rents continue to rise on an annual basis, increasing by 3.5 per cent. LSL Property Services, 'Buy-to-Let Index', September 2010, September 2011, February 2012.
- ¹³³ Research by Halifax for Guardian Money, 11 November 2011.

- <http://www.guardian.co.uk/money/2011/nov/11/rental-market-reaches-crisis-point?INTCMP=SRCH>
- ¹³⁴ Netmums forum, March 2011.
<http://www.netmums.com/coffeehouse/house-garden-194/money-finance-entitlements-267/550208-housing-benefit-cuts-will-i-forced-move.html>
- ¹³⁵ An increase for in-work claimants from 430,160 in November 2008 to 878,190 in February 2012, against an increase for out-of-work claimants from 3,741,780 in November 2008 to 4,126,310 in February 2012. DWP (2012) 'Housing Benefit and Council Tax Caseload', statistical release, May 2012.
- ¹³⁶ Hansard (2010) Written Answer, 5 March 2010.
<http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm100305/text/100305w0002.htm#10030529000282>
- ¹³⁷ *The Guardian* (2012) 'Housing benefit cap forces families to leave central London or be homeless', 16 February 2012.
<http://www.guardian.co.uk/society/2012/feb/16/housing-benefit-cap-families-central-london>
- ¹³⁸ Quoted in *The Independent* (2011) 'Anger as social housing rents set to rise', 20 October 2011.
<http://www.independent.co.uk/news/uk/politics/anger-as-social-housing-rents-set-to-rise-2111879.html>
- ¹³⁹ For four-bedroom properties rented by the L&Q housing association, rent would increase from £168 per week to £390 per week, an increase of 210 per cent. London Assembly Planning and Housing Committee (2011) 'Implications of the Affordable Rent Model in London', July 2011.
- ¹⁴⁰ National Housing Federation (2011) 'Briefing on Welfare Reform Bill, Second Reading (Lords)', October 2011.
- ¹⁴¹ National Housing Federation (2010) 'Comprehensive Spending Review – A Briefing for National Housing Federation Members', October 2010.
- ¹⁴² For more detail on the importance of housing as an asset in constructing a sustainable livelihood, see J. Viitanen, 'Homes and Neighbourhoods' in E. Cox (ed.) (2011) 'Community Assets First: The implications of the Sustainable Livelihoods Approach for the Coalition agenda', Church Action on Poverty, IPPR North, Oxfam, Urban Forum, October 2011.
- ¹⁴³ Communities and Local Government (2011) 'Localism Bill: A fairer future for social housing: impact assessment', January 2011, p.39.
- ¹⁴³ TUC (2008) 'Hard Work, Hidden Lives: The Full Report of the Commission on Vulnerable Employment', May 2008
- ¹⁴⁵ European Women's Lobby and Oxfam International (2010) 'Women's poverty and social exclusion in the European Union at a time of recession: An Invisible Crisis?', March 2010.
- ¹⁴⁶ Cutswatch Cymru (2012) 'Wales on the Edge', op. cit.
- ¹⁴⁷ See, for example, H. Reed (2010) 'Flexible with the Truth? Exploring the Relationship between Labour Market Flexibility and Labour Market Performance', *Landman Economics*, p.8.
- ¹⁴⁸ *Ibid.*, p.9.
- ¹⁴⁹ *Ibid.*, p.66.
- ¹⁵⁰ European Foundation for the Improvement of Living and Working Conditions (2010) 'Flexible Forms of Work: "Very atypical" contractual arrangements', pp.10-11.
- ¹⁵¹ TUC (2008) 'Commission on Vulnerable Employment: Full Report'.
- ¹⁵² *Ibid.*
- ¹⁵³ H. Bewley and J. Forth (2010) 'Vulnerability and Adverse Treatment in the Workplace', *Employment Relations Research Series 112*, Department for Business, Innovation and Skills, September 2010.
- ¹⁵⁴ See, for example, *The Telegraph* (2010) 'Tesco's temp agencies to waive new EU rights on workers' pay', 22 October 2011.
<http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/8843393/Tescos-temp-agencies-to-waive-new-EU-rights-on-workers-pay.html>
- ¹⁵⁵ N. Hossain et al. (2011) 'The Impact of the Global Economic Downturn on Communities and Poverty in the UK', JRF, p.34.
- ¹⁵⁶ Full-time employment has fallen by 830,880 jobs; part-time employment has increased by 500,283; temporary employment has increased by 138,786. ONS (2012) 'Labour Force Survey', May 2012.
- ¹⁵⁷ J. Philpott (2010) 'The 2010 Jobs Recovery', CIPD, p.2.
- ¹⁵⁸ 1.123 million in October-December 2011, and 1.120 million in January-March 2012. ONS (2012) 'Labour Force Survey', May 2012.
- ¹⁵⁹ From 9.1 per cent to 18 per cent. ONS (2012) 'Labour Force Survey', May 2012.
- ¹⁶⁰ *Ibid.*
- ¹⁶¹ John Philpott, (2012), 'The Rise in Self-Employment', *Chartered Institute of Personnel and Development*, January 2012.
- ¹⁶² HM Government, *Open Public Services*, July 2011.
- ¹⁶³ A. Rogers (2009) 'Recession, Vulnerable Workers and Immigration', *Centre on*

- Migration, Policy and Society, University of Oxford, p.33.
- ¹⁶⁴ UNISON (2010) 'The Hidden Workforce', p.1.
- ¹⁶⁵ D. Julius (2008) 'Understanding the Public Services Industry: How big, how good, where next?', Department for Business, Enterprise and Regulatory Reform.
- ¹⁶⁶ Citizens Advice (2010) 'Evidence, Winter 2010', p.10.
- ¹⁶⁷ Citizens Advice (2011) 'Give Us A Break!', p.6.
- ¹⁶⁸ M. Dunne (2012) 'My job was replaced by a workfare placement', *The Guardian*, 3 March 2012.
<http://www.guardian.co.uk/commentisfree/2012/mar/03/job-replaced-workfare-placement>
- ¹⁶⁹ Citizens Advice (2010) 'Evidence: Winter 2011'.
- ¹⁷⁰ CIPD (2011) 'The Economic Rights and Wrongs of Employment Regulation', p.11.
- ¹⁷¹ Ibid., p.11.
- ¹⁷² TUC (2011) 'Jobless Cleaners, Caterers and Machine Operators amongst Those Most at Risk of Long-Term Unemployment', 12 December 2011.
- ¹⁷³ *Daily Telegraph* (2011) 'Give firms freedom to sack unproductive workers, leaked Downing Street report advises', 25 October 2011.
- ¹⁷⁴ Dominic Raab M.P. (2011) 'Red-tape in business is socially unjust, as well as being economically uncompetitive', Conservative Home, 16 November 2011.
- ¹⁷⁵ H. Reed (2010) 'Flexible with the Truth?', op. cit., p.9.
- ¹⁷⁶ H. Metcalf and A. Dhudwar (2010) 'Employers' Role in the Low-Pay/No-Pay Cycle', JRF.
- ¹⁷⁷ *The Guardian* (2011) 'Young jobseekers told to work without pay or lose unemployment benefits', 16 November 2011.
<http://www.guardian.co.uk/society/2011/nov/16/young-jobseekers-work-pay-unemployment>
- ¹⁷⁸ TUC (2011) 'Labour Market Report, Number 19', October 2011.
- ¹⁷⁹ For more on the experiences of Oxfam's partners of the informal economy, see Community Pride Initiative and Oxfam GB (2009) 'Invisible Workers: The Informal Economy'.
- ¹⁸⁰ For arguments in favour of a taper rate of benefit withdrawal of 55 per cent rather than the currently proposed 65 per cent, see Centre for Social Justice (2009) 'Dynamic Benefits: Towards welfare that works', September 2009.
- ¹⁸¹ T. Horton and H. Reed (2010) 'Where the Money Goes: How We Benefit From Public Services', op. cit.
- ¹⁸² James Browne (2010) 'Distributional analysis of tax and benefit changes', Institute for Fiscal Studies, 21 October 2010.
- ¹⁸³ Gender audit of the June 2010 emergency budget, commissioned by Yvette Cooper M.P., op. cit.; and Fawcett Society (2012) 'Benefits and service cuts hitting women hardest'. <http://www.fawcettsociety.org.uk/index.asp?PageID=1237>
- ¹⁸⁴ Fawcett Society and IFS (2011) 'Single Mothers: Singled Out: The impact of 2010–15 tax and benefit changes on women and men', June 2011.
- ¹⁸⁵ Investment by UK businesses fell by nearly 20 per cent from 2007 to 2009, and is now £44.5bn below its pre-recession peak, accounting for 80 per cent of the output lost since 2008. H. Reed and N. Lawson (2011) 'Plan B: A good economy for a good society', op. cit.
- ¹⁸⁶ See M. Wolf (2011) 'We must listen to what bond markets tell us', *Financial Times*, 6 September 2011.
<http://www.ft.com/cms/s/0/9cbe577a-d872-11e0-8f0a-00144feabdc0.html#axzz1dyd0TRdw>
- ¹⁸⁷ Channel 4 News (2011) 'Who's deceiving who?', Factcheck blog, 6 January 2011.
<http://blogs.channel4.com/factcheck/whos-deceiving-who-on-the-deficit/5465>
- ¹⁸⁸ NIESR. <http://www.niesr.ac.uk/images/progres3a.jpg>
- ¹⁸⁹ ONS (2012) 'Economic Review – April 2012', op. cit.
- ¹⁹⁰ The IMF has performed simulations which suggest that implementing spending cuts and/or tax rises to close a fiscal deficit equal to 1 per cent of national output typically reduces output by around 0.5 per cent within two years and raises the unemployment rate by about 0.3 per cent, while domestic demand falls by about 1 per cent. International Monetary Fund (IMF) (2010) 'World Economic Outlook', Chapter 3, October 2010.
- ¹⁹¹ The Treasury suggests that a 1 per cent reduction in GDP relative to trend increases the Public Sector Borrowing Requirement (PSBR) by around 0.75 per cent. HM Treasury (2008) 'Public Finances and the Cycle', November 2008.
- ¹⁹² NIESR has suggested that, because of the weakness of the economic recovery, even if the government manages to meet its targets for spending reductions over the next four years, public sector net borrowing will fall only to 3.6 per cent of GDP in 2015–16 rather than the 1.5 per cent that the Office for Budget Responsibility projects (missing the government's target for balancing the budget by around 2 per cent of national output, or about a third of the total size of the fiscal consolidation). NIESR (2011) 'Prospects for the UK Economy', May 2011.
http://www.niesr.ac.uk/pdf/040511_230126.pdf

- ¹⁹³ IMF (2010) 'A Fair and Substantial Contribution by the Financial Sector'.
- ¹⁹⁴ TUC (2012) 'Budget Submission 2012', March 2012.
- ¹⁹⁵ ONS. Figures for the NMW increase and CPI inflation respectively were: October 2008, 3.8 per cent and 4.5 per cent; October 2009, 1.5 per cent and 1.5 per cent; October 2010, 2.2 per cent and 3.2 per cent; October 2011, 2.5 per cent and 5 per cent.
- ¹⁹⁶ Centre for Social Justice (2009) 'Dynamic Benefits: Towards Welfare That Works', September 2009.
- ¹⁹⁷ Ofgem (2011) 'Electricity and Gas Supply Market Report', 14 October 2011.
- ¹⁹⁸ See 'End the Big 6 Energy Fix' campaign statement.
<http://action.compassonline.org.uk/page/content/campaign-statement/>
- ¹⁹⁹ See Fawcett Society (2011) 'A life raft for women's equality', November 2011.
<http://www.fawcettsociety.org.uk/documents/A%20Life%20Raft%20for%20Women%27s%20Equality%20FINAL%281%29.pdf>
- ²⁰⁰ See R. Skidelsky and F. Martin (2011) 'A way out of Britain's growth dilemma', *Financial Times*, 20 March 2011.
- ²⁰¹ OECD (2011) 'Divided We Stand: Why Inequality Keeps Rising, Country Note: United Kingdom', December 2011.
- ²⁰² International Labour Organization (2011) 'Social protection floor for a fair and inclusive globalization: Report of the Advisory Group chaired by Michelle Bachelet, Convened by the ILO with the collaboration of the WHO', ILO, Geneva.
- ²⁰³ The Scottish Government (2012) 'Council tax support to be protected', press release, 19 April 2012.
<http://www.scotland.gov.uk/News/Releases/2012/04/counciltax19042012>
- ²⁰⁴ See Fawcett Society (2011) 'A life raft for women's equality', op. cit.
- ²⁰⁵ Institute for Public Policy Research (IPPR) (2011) 'The Good, the Bad and the Ugly: Housing demand 2025', March 2011.
- ²⁰⁶ Shelter (2010) 'Housing Investment Part 1', June 2010.
- ²⁰⁷ Shelter (2011) 'Housing Investment Part 2', January 2011.
- ²⁰⁸ An increase from £58 to £85 in the decade to 2006. Building and Social Housing Foundation (2010) 'Support with Housing Costs: Developing a simplified and sustainable system'.
- ²⁰⁹ Energy Saving Trust 'Home Economics: Cutting carbon and creating jobs, by nation and region', March 2011.
- ²¹⁰ Ibid.
- ²¹¹ B. Turfrey (2010) 'The Human Cost: How the lack of affordable housing impacts on all aspects of life', op. cit.
- ²¹² R. de Santos (2011) 'Policy Briefing: Asserting Authority – Calling time on rogue landlords', Shelter, September 2011.
- ²¹³ V. Monastiriotis (2006) 'Employment Flexibility and UK Regional Unemployment: Persistence and Macroeconomic Shocks', Department for Trade and Industry.
- ²¹⁴ CIPD (2011) 'The Economic Rights and Wrongs of Employment Regulation', p.2.
- ²¹⁵ See K. Poinasamy (2011) 'When Work Won't Pay: In-work poverty in the UK', Oxfam GB, November 2011.
- ²¹⁶ D. Leighton and T. Gregory (2011) 'Reinventing the Workplace', Demos.
- ²¹⁷ K. Poinasamy with A. Bance (2009) 'Turning the Tide', Oxfam GB, July 2009.
- ²¹⁸ 'The current employment status regime leaves some classes of worker with very few rights. "Employees" enjoy full employment rights, but 'workers', usually employed by agencies, do not have the right to claim unfair dismissal, redundancy pay, or sick pay, or request time to train. Of particular significance to working parents is the lack of the right to request flexible working, maternity pay or leave, or time off for emergencies. The third category in the employment status regime, "self-employed", refers to workers who produce goods and services for a range of customers and take responsibility for both their own working practices and for setting the price for the work that they do. If the worker is genuinely independent and working for a number of customers they should be able to set a fair price for their work, but the category is open to abuse ("false self-employment") and can be used by companies to evade their responsibilities as employers.' Taken from K. Poinasamy (2011) 'When Work Won't Pay', op. cit.
- ²¹⁹ See, for example, James Browne (2010) 'Distributional analysis of tax and benefit changes', op. cit.
- ²²⁰ The UK government (HMRC) defines the tax gap as: 'the difference between tax collected and the tax that should be collected (the theoretical liability). The theoretical tax liability represents the tax that would be paid if all individuals and companies complied with both the letter of the law and HMRC's interpretation of the intention of Parliament in setting law (referred to as the spirit of the law). The tax gap estimate is net of the Department's compliance activities. An equivalent way of defining the tax gap is the tax that is lost through non-payment, use of avoidance schemes, interpretation of tax effect of complex transactions, error, failure to take reasonable care, evasion, the hidden economy and organised criminal attack'. HMRC (2011) 'Measuring Tax Gaps 2011', September 2011.

- ²²¹ Richard Murphy (2012), 'Why are they increasing the tax gap?', Public and Commercial Services Union, May 2012.
- ²²² See 'Tax by Design', the Mirrlees Review, IFS, September 2011, pp.470-503.
- ²²³ Sources for the data on the infographic: Tax gap: HM Revenue and Customs (2011) 'Measuring the Tax Gap 2011', 21 September 2011; cost of education system in England: Department for Education (2012) 'Statistical Release', Department for Education, 25 January 2012; cost of unemployment benefits, incapacity benefits, ESA, and Social Fund: DWP (2011) 'Autumn 2011 Summary table: Benefit expenditure, Department for Work & Pensions and predecessors'; cost of Sure Start before cuts: Channel 4 (2011) 'Is Cameron sure about that Sure Start budget?', 9 February 2011; cost of insulation in Britain: Local Government Association (2008) *Switched off, switched on: how to cut every household's carbon footprint and energy bill*.
- ²²⁴ For more on the benefits and feasibility of a unilateral UK financial transaction tax, see Robin Hood Tax campaign (2011) 'There is an Alternative: Time for a Robin Hood Tax', policy brief.
- ²²⁵ T. Dolphin (2010) 'Financial Sector Taxes', IPPR, June 2010.
- ²²⁶ VAT takes up 12.1 per cent of the incomes of the poorest 20 per cent, compared with 5.9 per cent of the richest 20 per cent. A. Barnard (2009) 'The effects of taxes and benefits on household income, 2007/08', *Economic & Labour Market Review*, Vol. 3, No 8, August 2009.
http://www.statistics.gov.uk/elmr/08_09/downloads/ELMR_Aug.pdf
- ²²⁷ See IMF (2010) 'Taxing Financial Transactions: Issues and Evidence', September 2010.
- ²²⁸ ONS (2011) 'The Effects of Taxes and Benefits on Household Income, 2009/10', op. cit.
- ²²⁹ See R. Lister, 'Poverty, material insecurity, and income vulnerability: the role of savings', in S. Sodha and R. Lister (2006) 'The Saving Gateway: From Principles to Practice', London: IPPR, pp.8-33; and L. Brill and M. Haddad, 'The Sustainable Livelihoods Approach', in E. Cox (2011) 'Community Assets First', op. cit., pp.9-16.
- ²³⁰ S. White (2003) *The Civic Minimum: On the Rights and Obligations of Economic Citizenship*, Oxford: Oxford University Press.
- ²³¹ See IFS (2011) 'Tax by Design', op. cit., pp.368-405.
- ²³² See M. Kumhof and R. Ranci re (2010) 'Inequality, Leverage and Crises', IMF Working Paper, November 2010.
- ²³³ See IFS (2011) 'Tax by Design', op. cit., pp.470-503.
- ²³⁴ M. Brewer and D. Phillips (2010) 'IFS Analysis on the "Living Wage"', IFS.
- ²³⁵ ActionAid (2012) 'Collateral damage: How government plans to water down UK anti-tax haven rules could cost developing countries - and the UK - billions', March 2012
- ²³⁶ R. Wilkinson and K. Pickett (2009) *The Spirit Level: Why More Equal Societies Almost Always Do Better*.
- ²³⁷ R. Gower, C. Pearce, and K. Raworth (2012) 'Left Behind by the G20? How inequality and environmental degradation threaten to exclude poor people from the benefits of economic growth', Oxfam International, January 2012.
- ²³⁸ According to the Global Footprint Network, the UK's per capita biocapacity is around 1.4 global hectares (a common unit based on all the biologically productive land and sea area in the world in a given year), and its per capita eco footprint is around 4.8. See <http://www.footprintnetwork.org/en/index.php/GFN/page/trends/unitedkingdom/>
- ²³⁹ R. Gower, C. Pearce, and K. Raworth (2012) 'Left Behind by the G20?', op. cit.
- ²⁴⁰ R. Wilkinson and K. Pickett (2009) *The Spirit Level*, op. cit.
- ²⁴¹ 'Whose Economy' seminar series, Oxfam Scotland focus groups, Oxfam Scotland, 2011
- ²⁴² T. Kasser (2002) *The High Price of Materialism*, MIT Press, Cambridge.
- ²⁴³ S. Carlisle, P. Hanlon, and M. Hannah (2008) 'Status, taste and distinction in consumer culture: acknowledging the symbolic dimensions of inequality', *Public Health*, 122: 6 631-637.
- ²⁴⁴ See also K. Trebeck (forthcoming) 'Our Economy', Oxfam GB.
- ²⁴⁵ R. Wilkinson and K. Pickett (2009) *The Spirit Level*, op. cit. The key findings of *The Spirit Level* were found to hold, in light of critiques of that work and of the broader peer-reviewed literature, in K. Rowlingson (2011) 'Does Income Inequality Cause Health and Social Problems?', JRF, September 2011.
- ²⁴⁶ R. Gower, C. Pearce, and K. Raworth (2012) 'Left Behind by the G20?', op. cit.
- ²⁴⁷ F. Bourguignon (2002-03) 'The Growth Elasticity of Poverty Reduction: Explaining heterogeneity across countries and time periods', D partement et Laboratoire d'Economie Th orique et Appliqu e, Paris. See also: Oxfam (2011) 'Making Growth Inclusive: Some lessons from the literature and from countries', Washington DC: Oxfam.
- ²⁴⁸ F. Bourguignon (2004) 'The Poverty-Growth-Inequality Triangle', Indian Council for Research on International Economic Relations, New Delhi.
- ²⁴⁹ DWP (2010) 'Households Below Average Income 1994/95-2008/09', op. cit.

- ²⁵⁰ The UK's Gini co-efficient of inequality ranks 8th out of 34 in the OECD. OECD (2011) 'Growing Income Inequality in OECD Countries: What Drives it and How Can Policy Tackle it?', Forum, Paris, 2 May 2011.
- ²⁵¹ M. Whittaker and L. Savage (2011) 'Missing Out: Why ordinary workers are experiencing growth without gain', London: Resolution Foundation.
- ²⁵² High Pay Commission (2011) 'Interim Report', May 2011.
- ²⁵³ S. Lansley (2011) 'Britain's Livelihood Crisis', TUC.
- ²⁵⁴ H. Reed and N. Lawson, 'Plan B: A good economy for a good society', op. cit.
- ²⁵⁵ S. Lansley (2011) *The Cost of Inequality: Three Decades of the Super-Rich and the Economy*, Gibson Square.
- ²⁵⁶ S. Lansley (2011) 'Britain's Livelihood Crisis', TUC.
- ²⁵⁷ B. Milanovic (2010) 'The Haves and the Have Nots: A Brief and Idiosyncratic History of Global Inequality'.
- ²⁵⁸ M. Kumhof and R. Rancière, 'Inequality, Leverage and Crises', op. cit.
- ²⁵⁹ M. Kumhof and R. Rancière (2010) 'Leveraging Inequality', Finance and Development, December 2010.
- ²⁶⁰ See, for example, T. Persson and G. Tabellini (1994) 'Is inequality harmful for growth?', *American Economic Review*, Volume 84, Issue 3, pp.600-621; and A. Alesina and D. Rodrik (1994) 'Distributive politics and economic growth', *Quarterly Journal of Economics* (109).
- ²⁶¹ Asian Development Bank (2011) 'Asia 2050: Realizing the Asian Century'.
- ²⁶² A. Berg and J. Ostry (2011) 'Inequality and Unsustainable Growth: Two Sides of the Same Coin', IMF Staff Discussion Note, April 2011.
- ²⁶³ R. Gower, C. Pearce, and K. Raworth (2012) 'Left Behind by the G20?', op. cit.
- ²⁶⁴ M. Kumhof and R. Rancière (2010) 'Leveraging Inequality', op. cit.
- ²⁶⁵ Ibid.
- ²⁶⁶ M. Kumhof and R. Rancière (2010) 'Inequality, Leverage and Crises', op. cit.
- ²⁶⁷ High Pay Commission (2011) 'Interim Report', op. cit.
- ²⁶⁸ Friends of the Earth Scotland, Oxfam Scotland, and WWF Scotland (2011) 'Revising Scotland's National Performance Framework', September 2011; see also www.oxfam.org.uk/humankindindex
- ²⁶⁹ See ONS (2011) 'Measuring National Well-Being – Discussion paper on domains and measures', October 2011.
- ²⁷⁰ See Cabinet Office (2009) 'A Guide to Social Return on Investment', Office of the Third Sector, April 2009.

© Oxfam GB June 2012

This paper was written by Moussa Haddad. Oxfam acknowledges the assistance of Krishnah Poinasamy, Joana Martinho, Louie Fooks, Kate Raworth, Ruth Kelly, Nicola Hughes (Shelter), and Fiona King (Shelter Scotland) in its production. Infographics created by Garth Stewart. It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

Oxfam would like to thank the many individuals who have shared their experiences of working poverty with us. Some names have been changed. Some quotes and case studies have previously been published in other Oxfam papers. All quotes and case studies relate to experiences reported in the past two years.

This publication is copyright but the text may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured and a fee may be charged. E-mail publish@oxfam.org.uk.

For further information on the issues raised in this paper please e-mail ukpoverty@oxfam.org.uk.

The information in this publication is correct at the time of going to press.

Oxfam's work in the UK: Oxfam works to overcome poverty in the UK in three ways. We develop projects with people living in poverty to improve their lives and show how things can change; we raise public awareness of poverty to create pressure for change; and we work with policy makers to tackle the causes of poverty. For more information visit www.oxfam.org.uk

www.oxfam.org.uk

Published by Oxfam GB under ISBN 978-1-78077-118-2 in June 2012.
Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.