

Child Poverty, Care and Neoliberalism

Andrew Sayer, Lancaster University

Children, Care and Inequality: a View from the North

20th March 2019

Victim blaming and poverty

- Lack of solidarity with/compassion for those on benefits, including from those who are themselves on benefits*

* Shildrick, T. and MacDonald, R. (2013) 'Poverty talk: how people experiencing poverty deny their poverty and why they blame "the poor"', Sociological Review, 61, 2, 285–303.

- The 'belief in a fair world' . . .
- . . . but 'structure rules': If (e.g.) 10% of jobs are poorly paid and insecure, 10% of the workforce will be in poorly paid and insecure jobs, no matter how hard people work or seek work.

- Child poverty est. 4.1m (1 in 4 children (Lancaster 27%))*
- 67% in households with one (or more) person(s) in work**
- Increase in child benefit 2010-2020 only 2% but expected price increases 35%*
- Stagnating wages plus increased housing costs

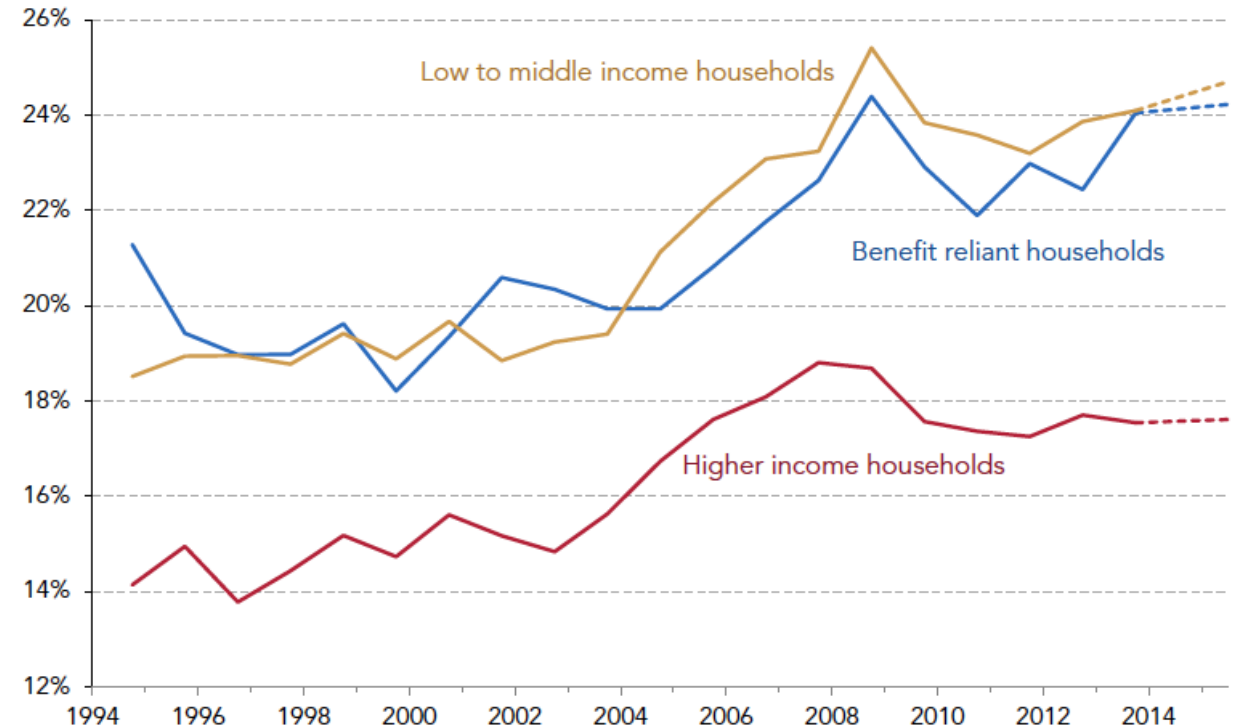
* figures from Child Poverty Action Group

** 'in work means 1 hour per week or more



Figure 17: Average housing cost to income ratio among working-age households by income group: UK

Average housing cost to net income ratio

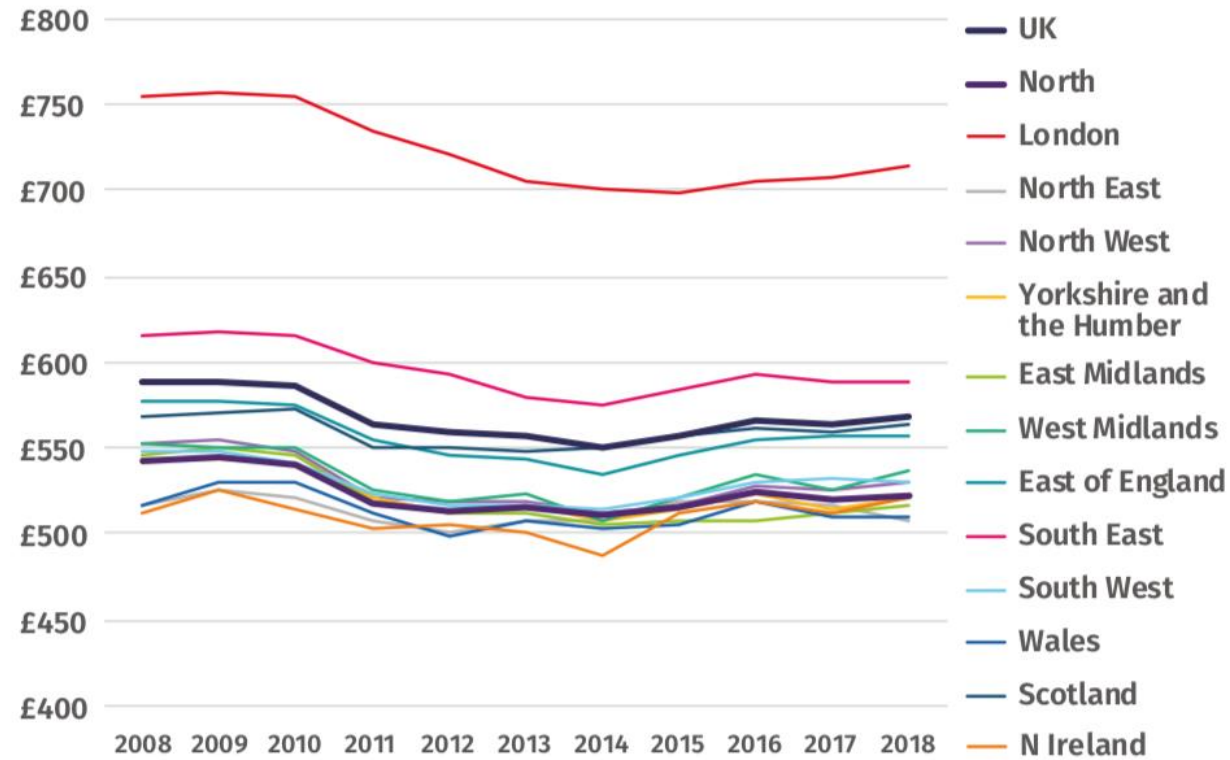


Notes: See notes to Figure 4. Income groups are defined on the basis of their positioning in the equivalised net household income distribution. Low to middle income households comprise those who both fall within deciles two to five and who receive no more than one-fifth of their income from means-tested benefits (excluding tax credits). Benefit reliant households comprise those in the bottom decile and those receiving more than one-fifth of their income from means-tested benefits. Higher income households comprise all households in the top half of the distribution.

Source: DWP, Family Resources Survey, and RF 'nowcasting'

FIGURE 4.4: REAL PAY HAS DECREASED IN THE NORTH – AS IN ALL REGIONS – SINCE 2007

Median gross weekly pay accounting for CPIH deflation

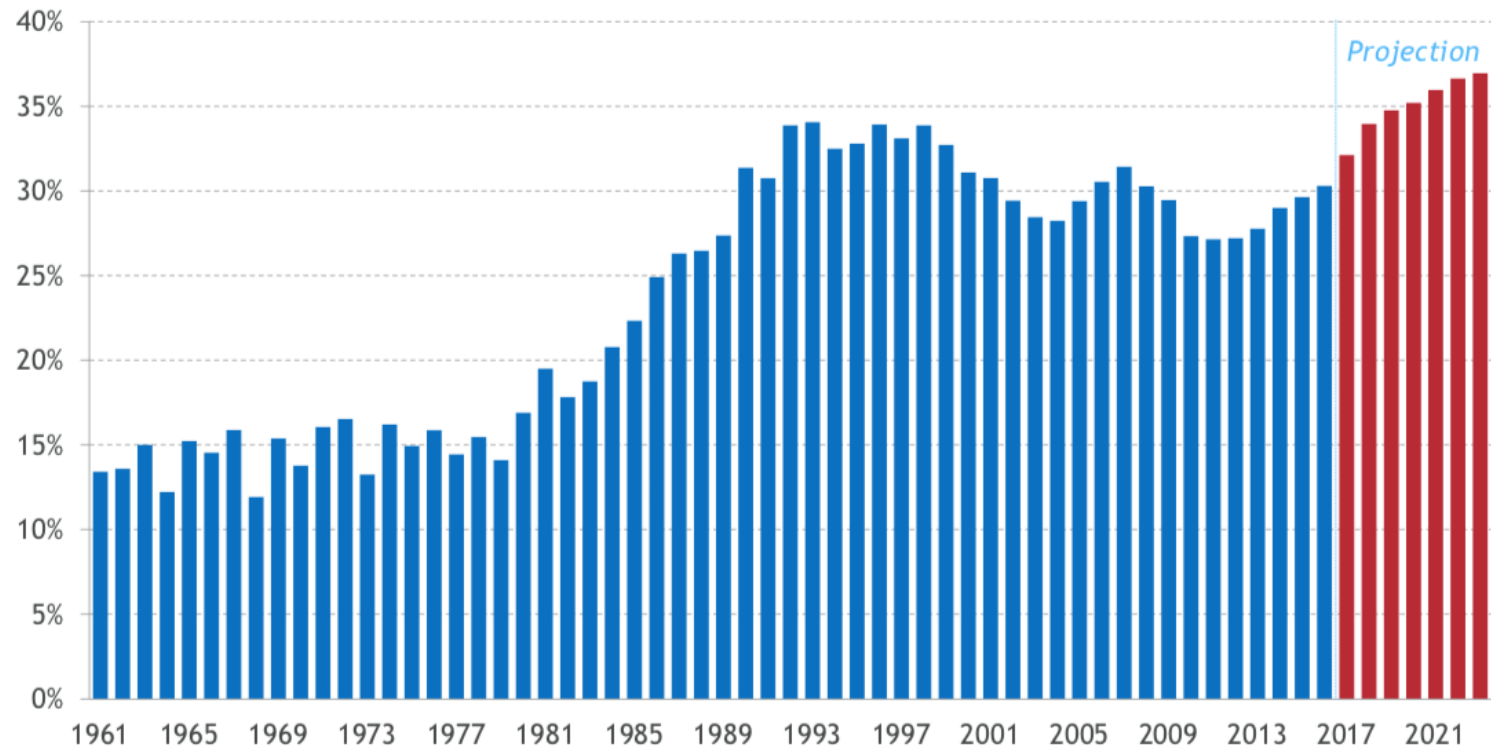


Source: ONS 2018h; 2018r

Source: IPPR State of the North 2019

Figure 26: Child poverty is heading back to highs not seen since the mid-90s, and may even surpass them

Proportion of children living in relative poverty (after housing costs)

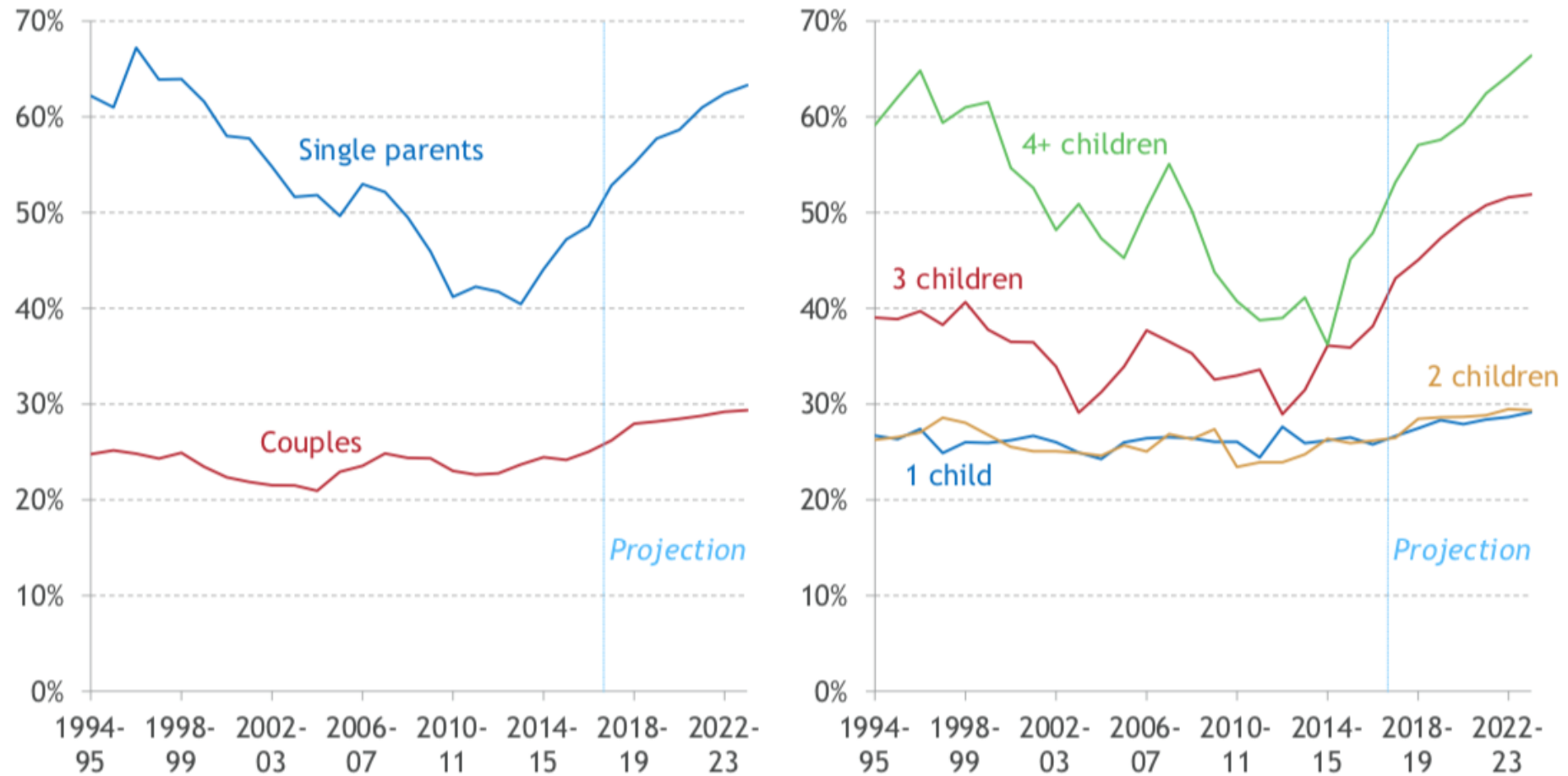


Notes: Financial years after 1993. GB only before 2002-03.

Source: RF analysis of DWP, *Households Below Average Income*; RF projection; and IFS, *Living Standards, Inequality and Poverty*

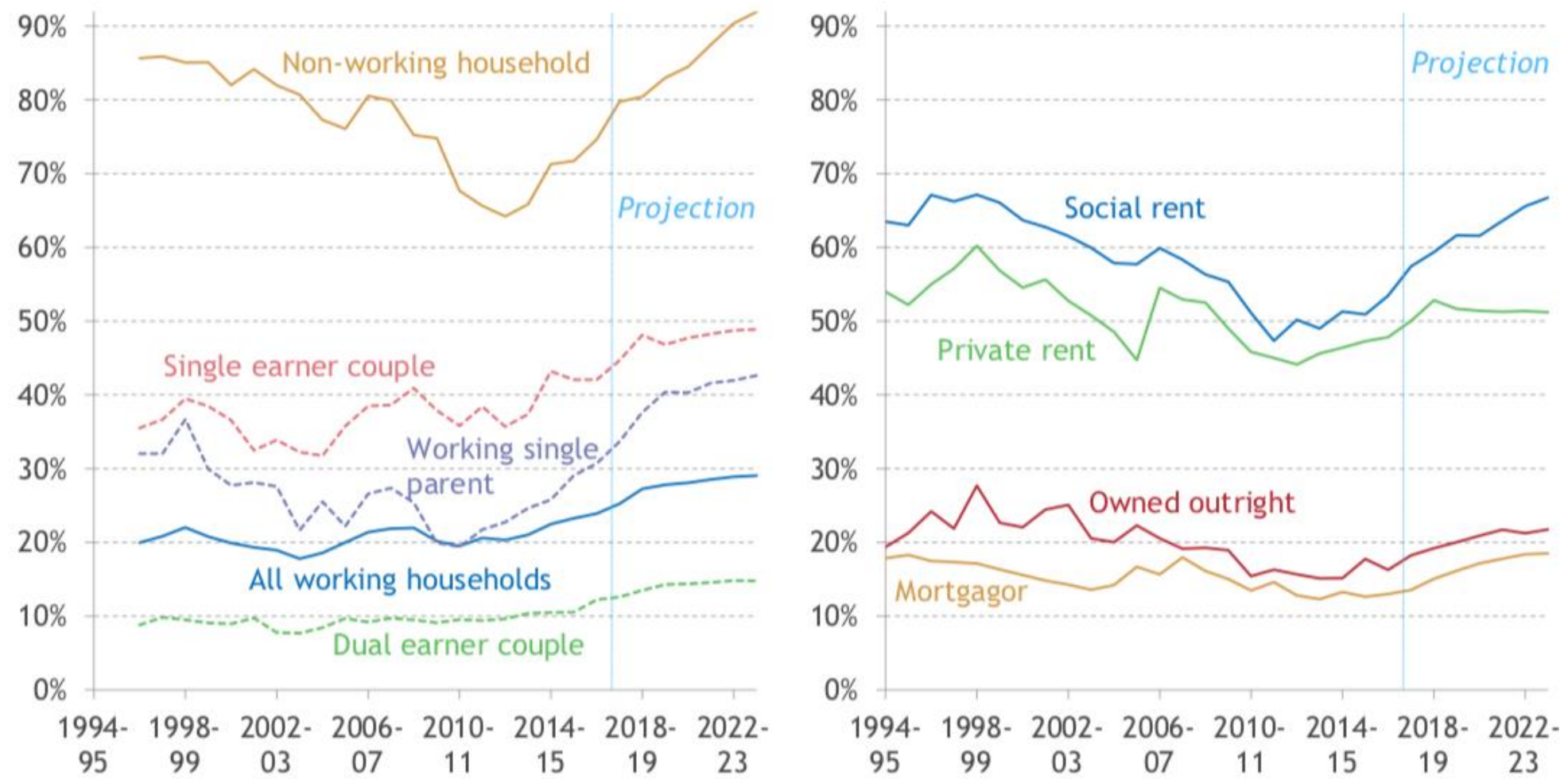
Figure 29: Some groups are more likely to experience child poverty than others, but increases are projected for all groups

Proportion of children living in relative poverty (after housing costs), by household status



Source: Resolution Foundation: The Living Standards Outlook 2019

Figure 29: Some groups are more likely to experience child poverty than others, but increases are projected for all groups

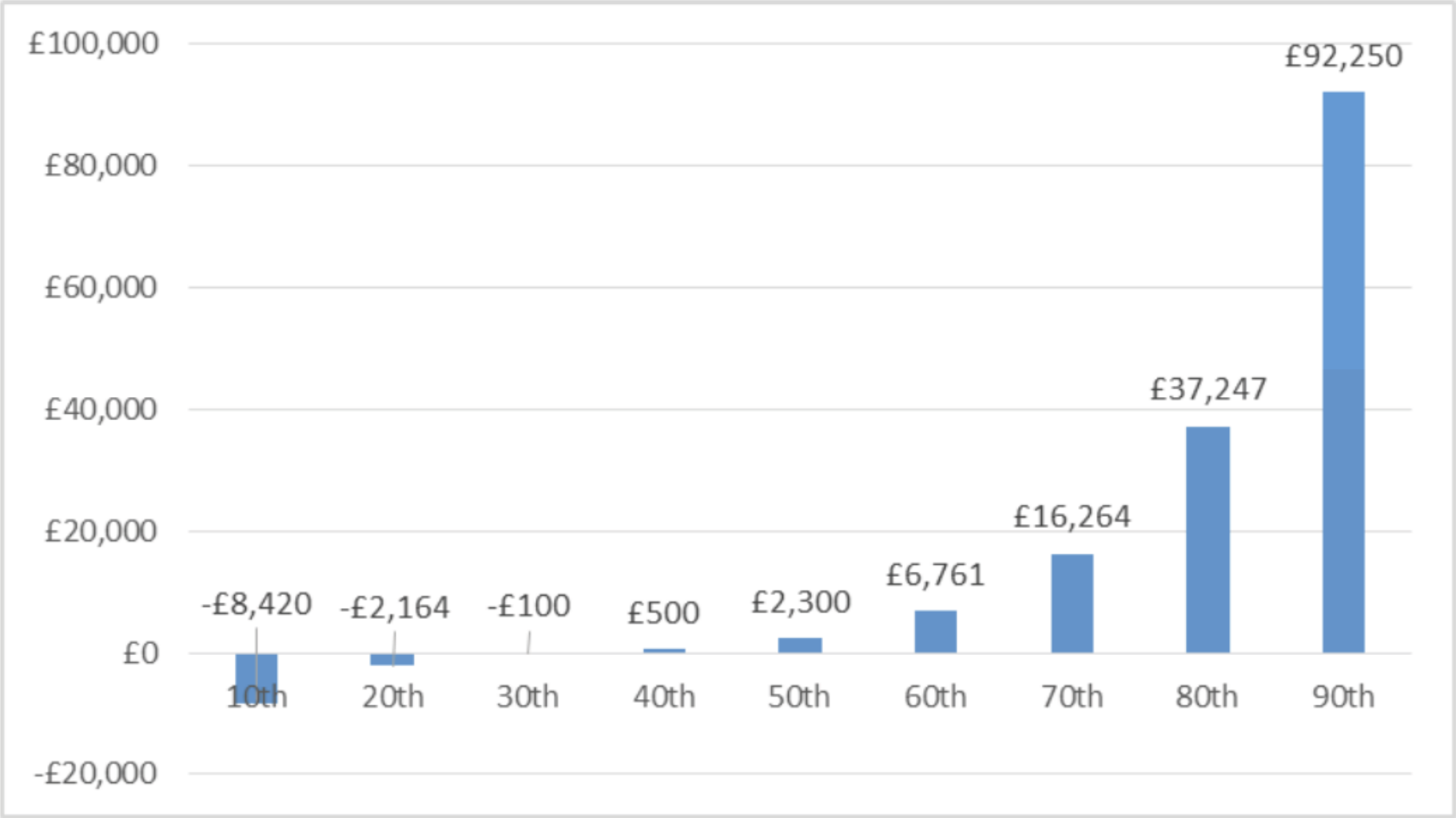


Source: Resolution Foundation: The Living Standards Outlook 2019

Neoliberalism and the interdependence of poverty and riches

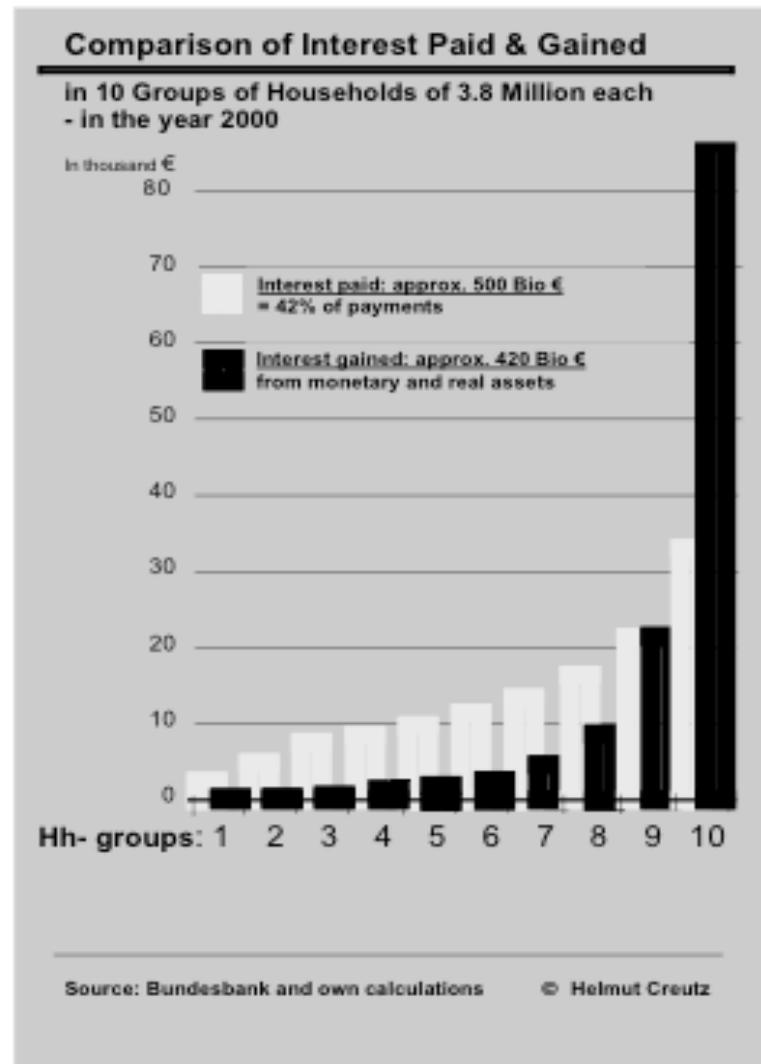
- Declining share of national income going to labour since 1990. Stagnation of incomes since 2008 + austerity policies.
- But economic inequality is not simply a matter of differences, but of relations between the poor and riches.
- Neoliberalism promotes 'rentier capitalism': i.e. expands flows of unearned income deriving from control of assets, e.g. rent and capital gains, relative to earned income from producing goods and services
- The housing market and house/land price inflation are sources of unearned income for home owners and private landlords, 'locking-in' support for more of the same – important constituency of regressive conservative policies
- Property-led growth redistributes income and wealth from the asset poor to the asset rich.

Figure 1: Net financial wealth for all households



Source: Equality Trust 2016 Walking the Tightrope: Savings and Debt Inequality in Great Britain

Comparison of household interest payments and interest returns, Germany



Source: Kennedy, M. (2012) *Occupy money*, New Society Publishers

'Asset-based welfare': rent

- e.g. **Buy-to-let:**
 - favours the strong at the expense of the weak.
- Wealth of landlords (est. 2% of pop'n¹) increased by £434bn in 2003-13²
 - ¹ Shelter; ²FT, 17.01.14



Photo: Alan Cleaver, Creative Commons

The Financialization of Foster Care

Wealth extraction: shareholder value-driven, debt-finance/loading, private equity, capital gains, pay squeeze, tax havens, short-termism . . .

Private provider name	Owner's/s' income	Income from foster care in 2014
Foster Care Associates	£7m	£127m
National Fostering Agency	£14.4m	£94.5m
Corn	£13m	£73.1m
PICS	£1.9m	£29.8m
Swiis Foster Care	£1.5m	£29.4m
Capstone	£0.4m	£21.1m
compass	£3.1m	£25.9m

Source: Corporate Watch, 2015 <https://corporatewatch.org/the-foster-care-business/>

The Foundational Economy . . .

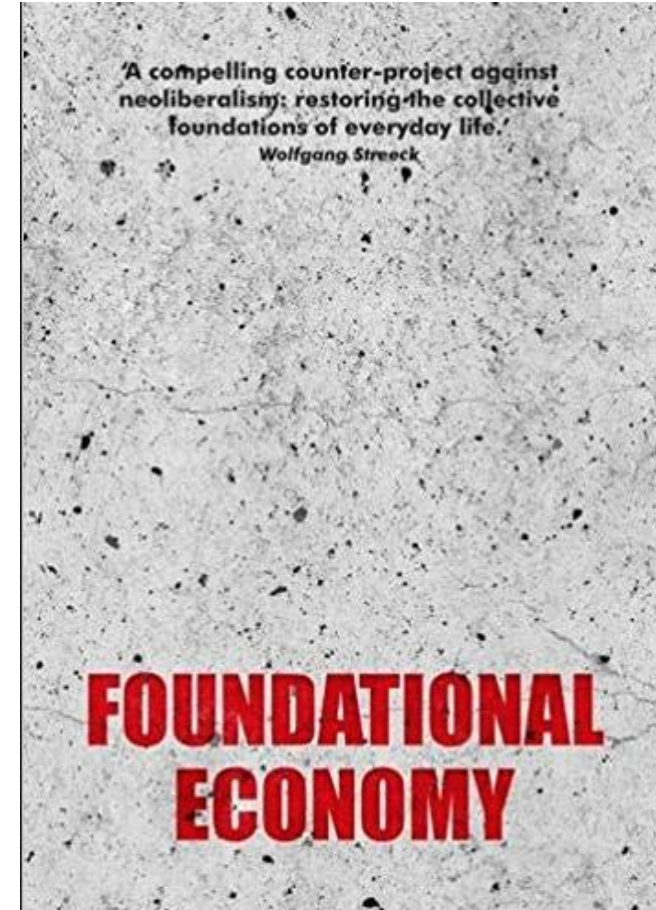
- as distinct from the economy of marketable goods and the domestic economy . . .

Meets (or could meet) basic requirements of civilized life irrespective of income or location.

Comprises activities largely insulated from global competition:

- material infrastructure: utilities, retail
- 'providential services' : health, education, care
- 'Social licensing'

Compatible with Green New Deal



IPPR State of the North report

- Endorses growth – ‘inclusive’* and ‘clean’**
 - * - inclusive: but doesn’t mention main mechanisms reproducing inequality,
 - ** - ‘clean [i.e. green] growth’ is an oxymoron. Climate change (acknowledged in a box on p.44). Assumes global competitiveness and growth is the way forward in a finite planet.

Underestimates role of foundational (‘everyday’) economy as both provider of basic welfare and employer.

Some policy suggestions

- Wealth tax and taxes on unearned income, e.g. land-value taxes
- State as employer-of-last resort
- Increased minimum wage
- Increased child benefit
- Expanded social housing
- Expanded universal services (foundational economy) using social licensing
- Growth and business-as-usual are not the answer. Green New Deal. Massive investment in decarbonizing the economy.

Universal Basic Income?

- Drops the contributory principle: ‘from each according to their ability’
 - Universal free-riding?
- Requires punitive levels of taxation to fund
- Likely to squeeze public sector (hence popular on libertarian right)
- Doesn’t challenge job shortages, devalues the benefits of work
- Doesn’t (necessarily) challenge asset-based unearned income.
- Unpopular: e.g. Swiss vote – 77% against.

Wealth concentration at the top: the austerity years?

Collective wealth of the UK's 1000 richest people

1997 = £98 billion

2008 = £413 billion

2010 = £336 billion

2012 = £414 billion

2013 = £450 billion

2014 = £519 billion

2015 = £547 billion

2016 = £576 billion

2017 = £658 billion

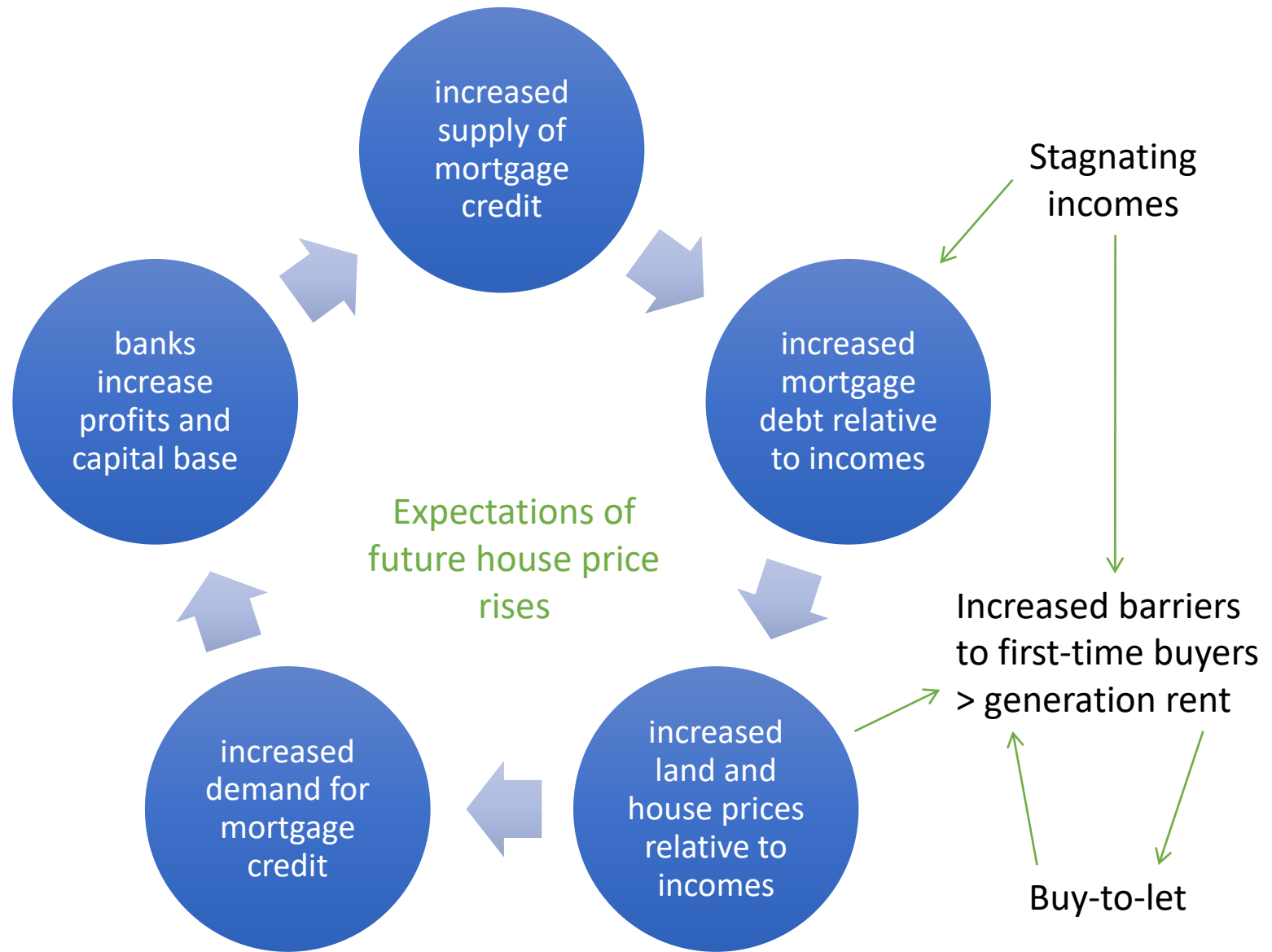
Source: Sunday Times Rich List

= £10,000 + for each individual in UK

Est. cost of the NHS, 2017 = £142.7bn (est.)

Pensions + Education + Welfare = £355bn

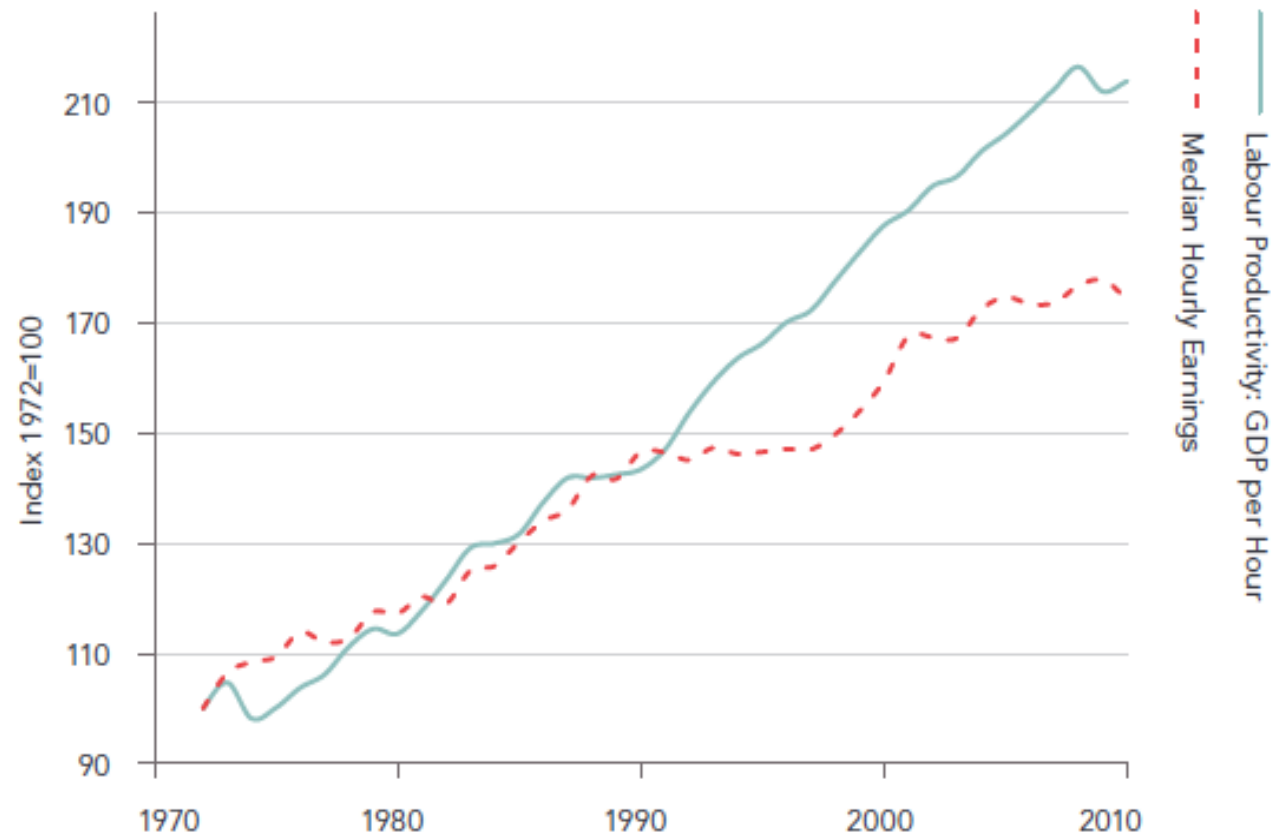
Source: ukpublicspending.co.uk



The Housing/Finance Improperly Expansion Machine
Based on New Economics Foundation (2016)

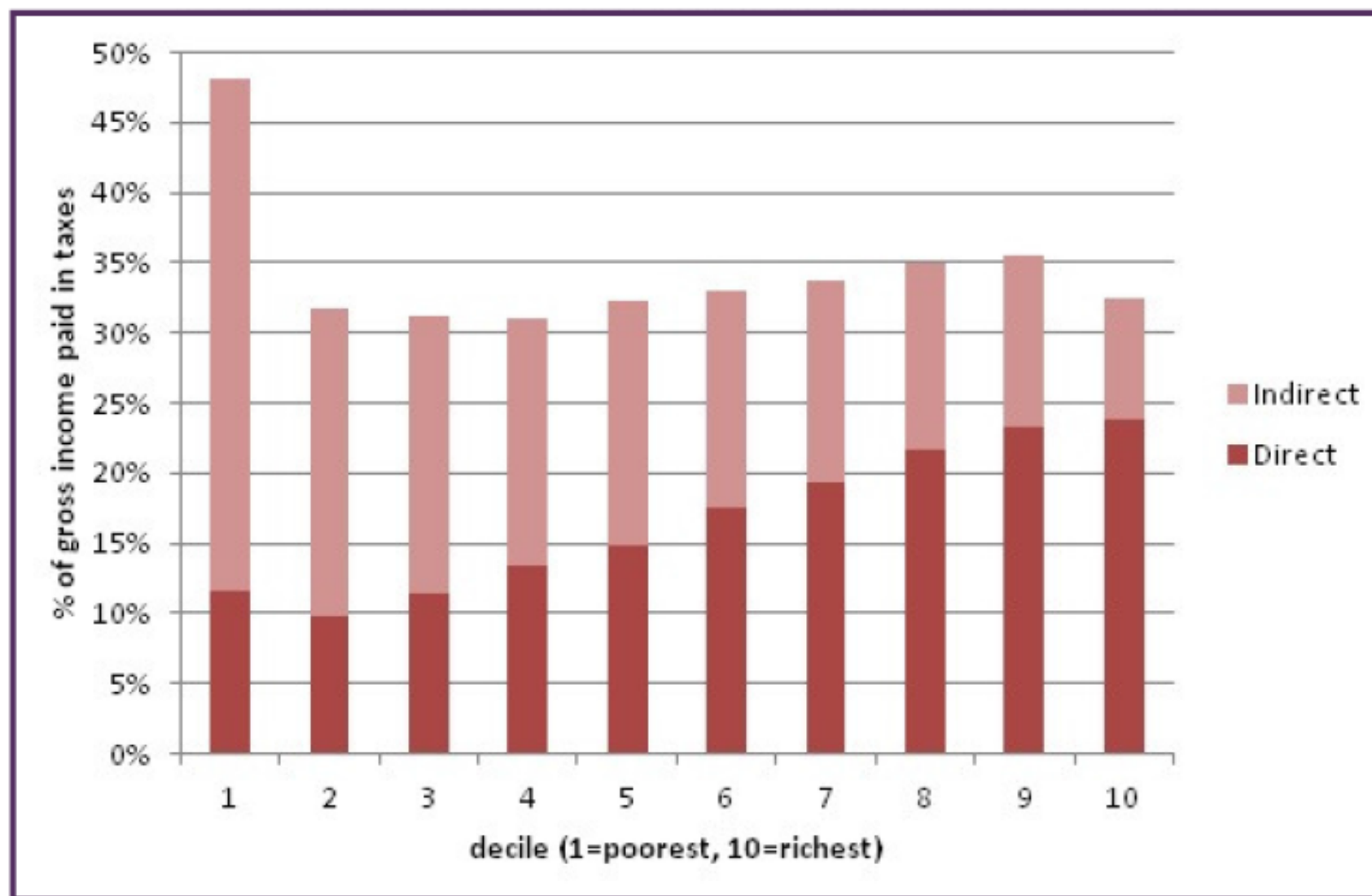
UK Earnings and productivity

Figure 2.3: UK trends in hourly earnings and labour productivity, 1970–2010



Notes: All data is controlled for the GDP deflator. "Workers" includes employees and self-employed. Source: Analysis from Pessoa and Van Reenen, Decoupling of Wage Growth and Productivity Growth?; ^[6] ONS, General Household Survey (GHS), Labour Force Survey (LFS) and Annual Survey of Hours and Earnings (ASHE)

Chart 12: Direct and indirect taxes as a proportion of household income by income decile, 2010-11.



Source: Source: ONS (2012), The Effects of Taxes and Benefits on Household Income 2010-11. Methodology used to produce results is an updated version of D. Byrne and S. Ruane (2008), "The UK Tax Burden: Can Labour be called the "party of fairness", Compass Thinkpiece.

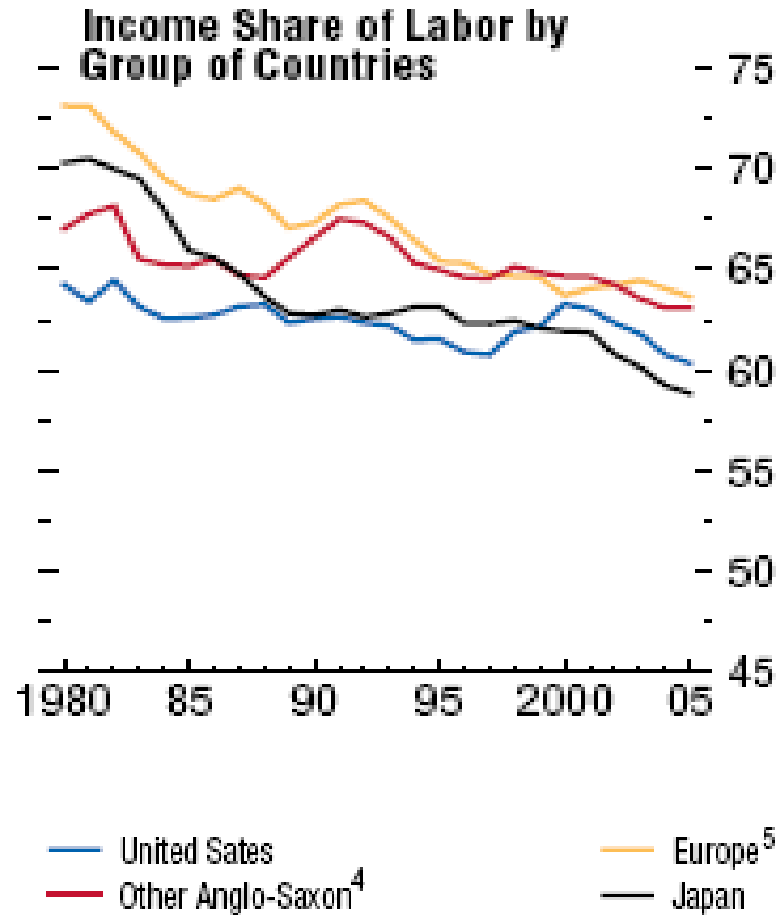
Declining share of workers' income (IMF 2007)

labour's share of income fell in 51 countries (early 1990s - 2007 -ILO)

Lat Am -13%

Asia and Pac --
10%

high income
countries -9%

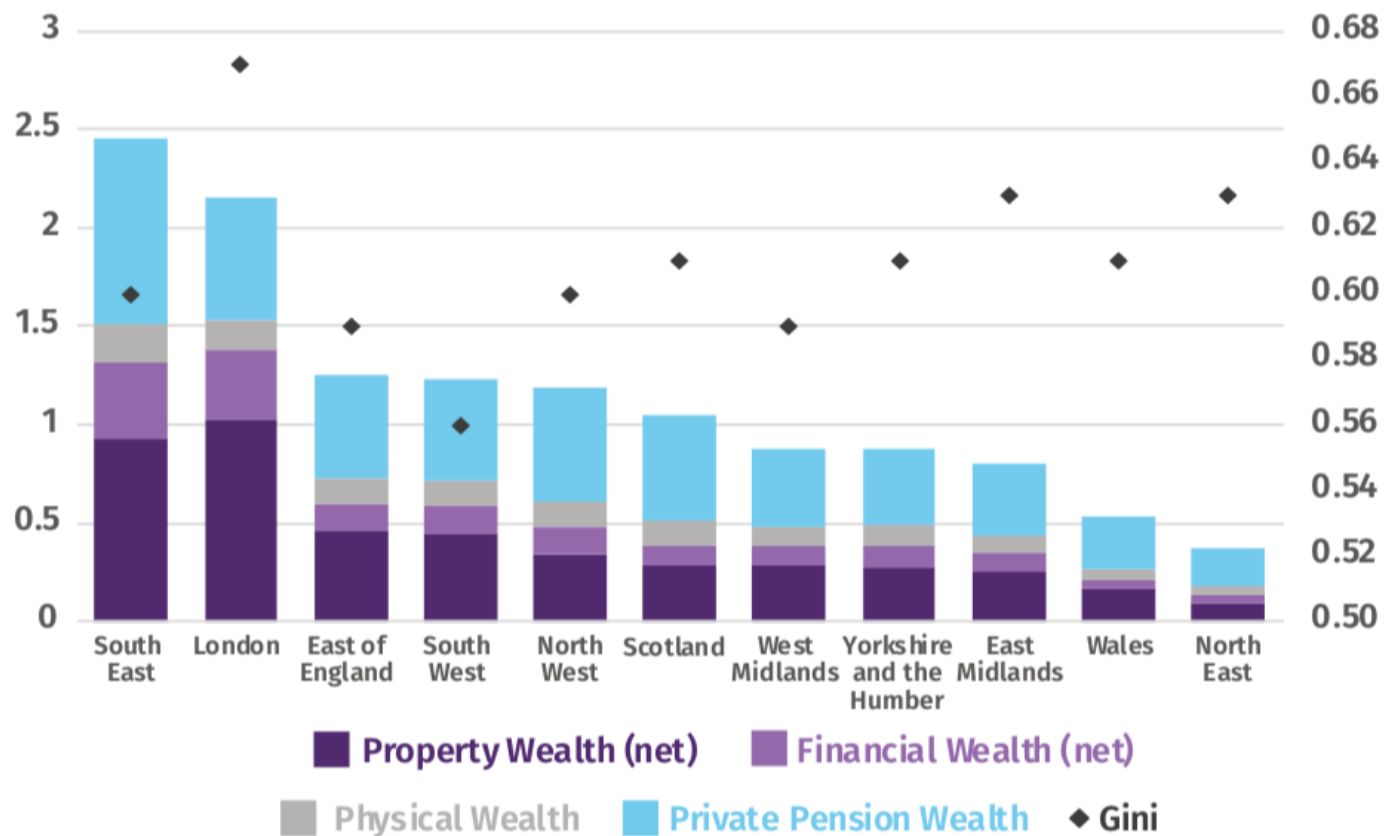


earnings rose more slowly than productivity for 61% of EU workforce 2003-2006

labour's share of income fell by more in low qualified/ labour paid sectors – polarisation of earnings

FIGURE 4.5: WEALTH IS OVERWHELMINGLY CONCENTRATED IN THE SOUTH, BUT PARTS OF THE NORTH ALSO HAVE HIGH WEALTH INEQUALITY

Total wealth (£tn) and distributional inequality of wealth within regions (Gini coefficient)¹⁵



Source: ONS 2018t; ONS 2018u

Source: IPPR State of the Nation 2019