

What has New Labour done for redistribution?

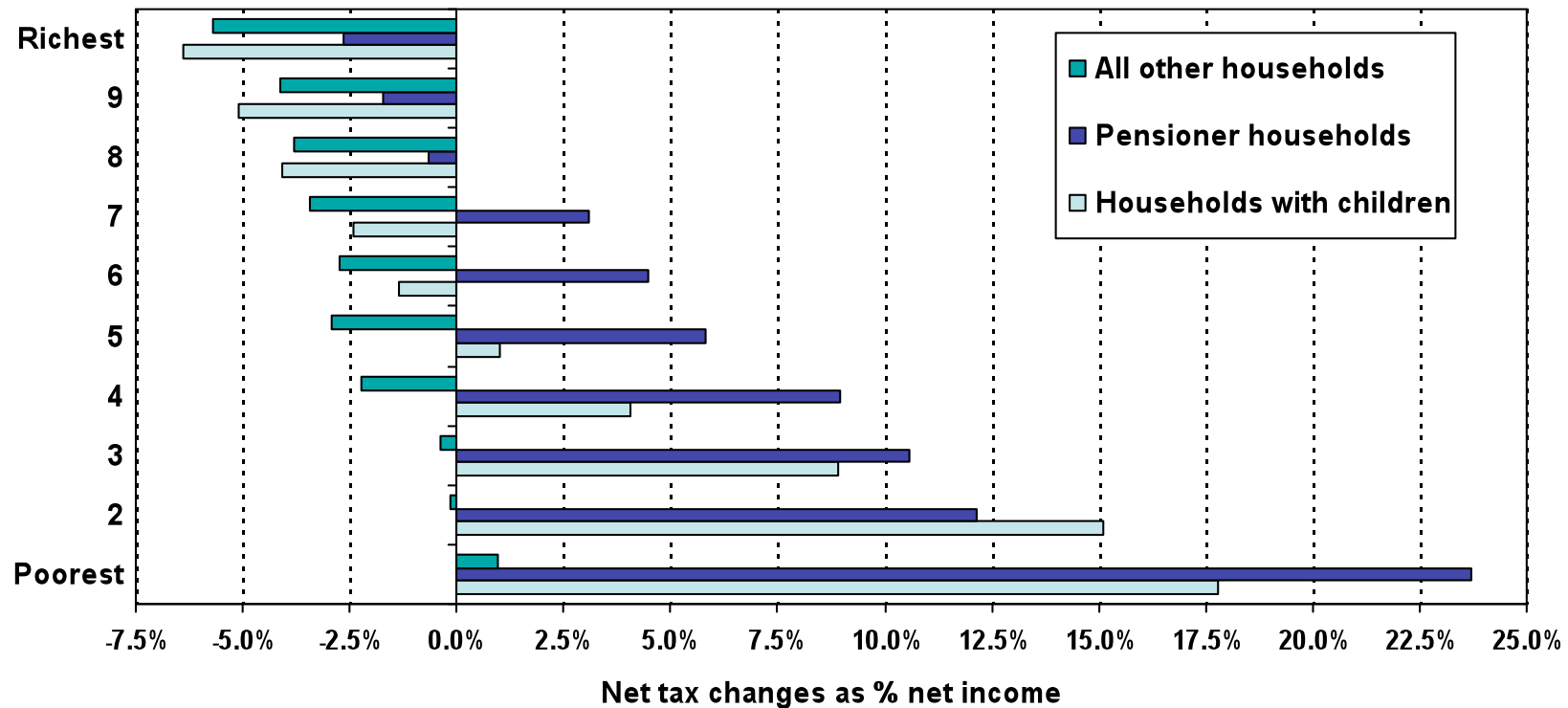
Summary

- Our tax and transfer changes have been clearly redistributive
- Income growth has been distributed more fairly than under the Conservatives
- But the last five years have not been as good for income redistribution as the previous seven
- And income inequality has continued to rise – albeit much slowly than in the 80s
- Relative poverty fell under Labour but has recently ticked up
- The number in the deepest relative poverty has increased
- Child poverty has fallen – but meeting our ambitious targets will be a real challenge
- Tax credits now take around a million children in working families out of poverty – but a million more children now need such support to escape low income
- We have continually increased public spending – particularly in health and education

All graphs but one are not published by Government; they are from external, independent think tanks.

Our tax and transfer changes have been clearly redistributive

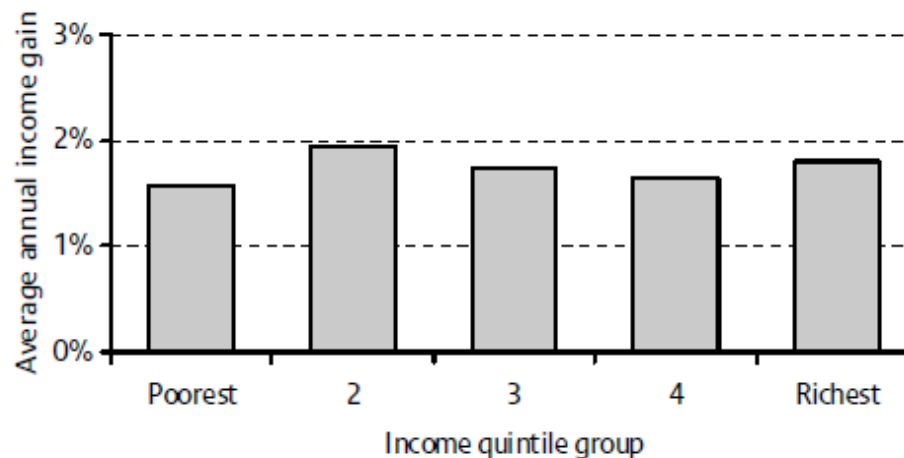
Impact of tax and transfer changes: 1997 - 2007



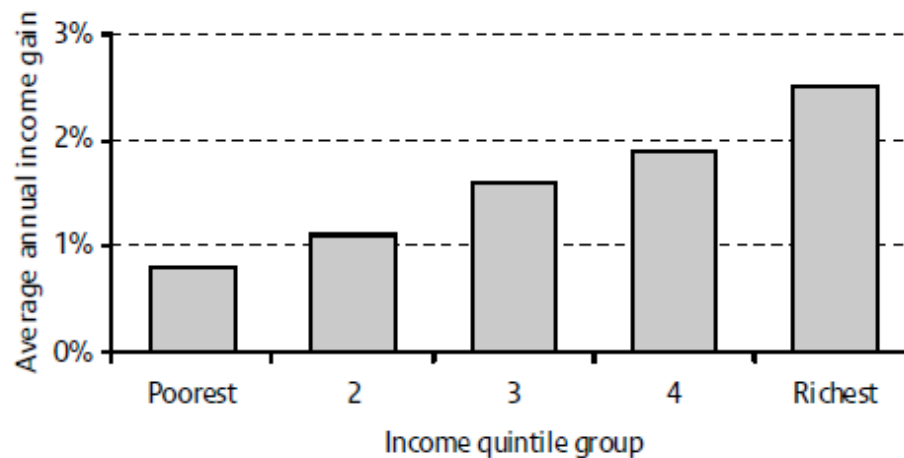
Note: Changes measured relative to usual uprating rules. Includes net rise in taxes which do not directly affect households whose impact is assumed proportional to income (worth 2.5% of income).

Income growth has been distributed more fairly than under the Conservatives

Labour: 1996–97 to 2007–08

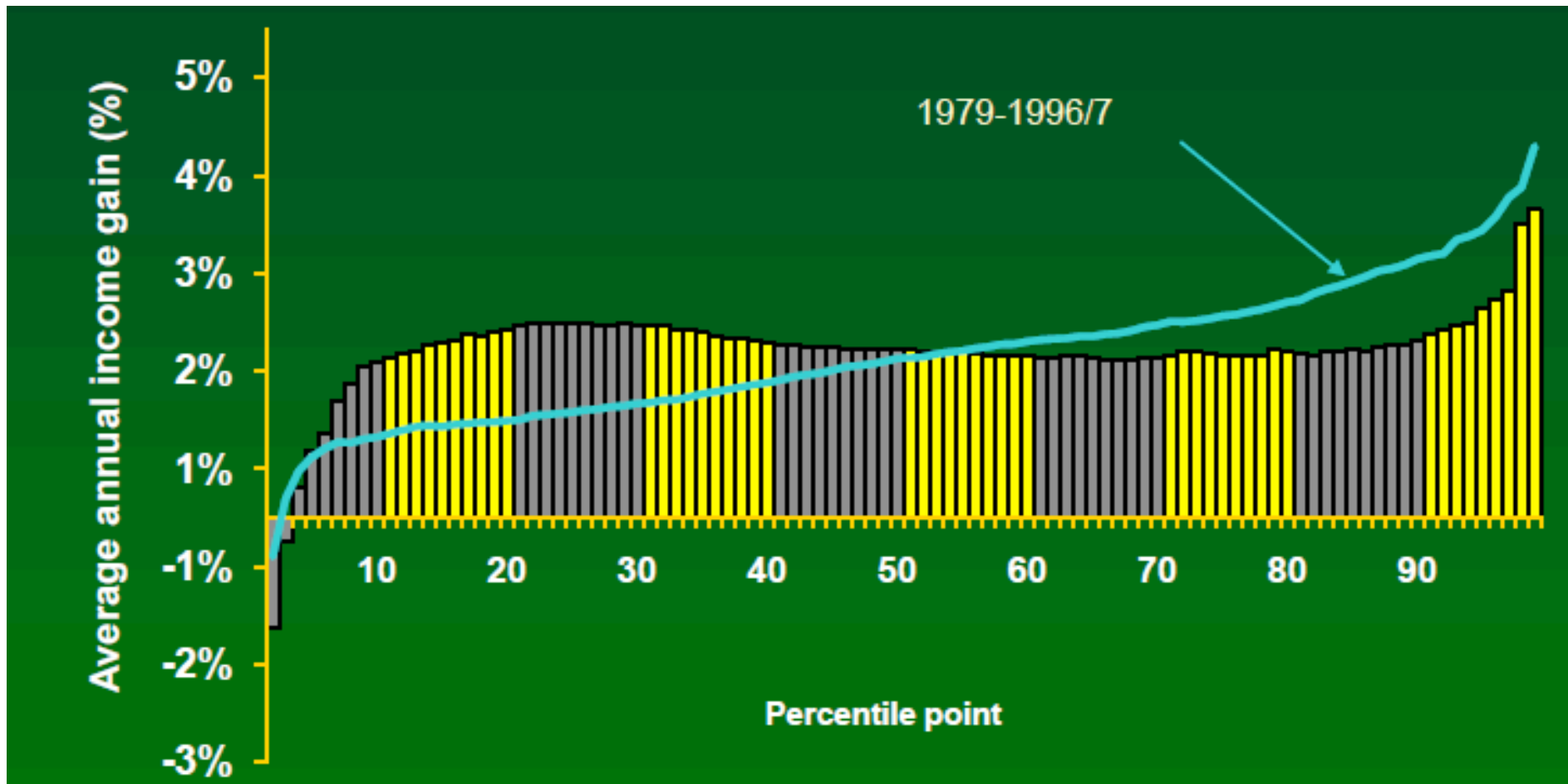


Conservatives: 1979 to 1996–97



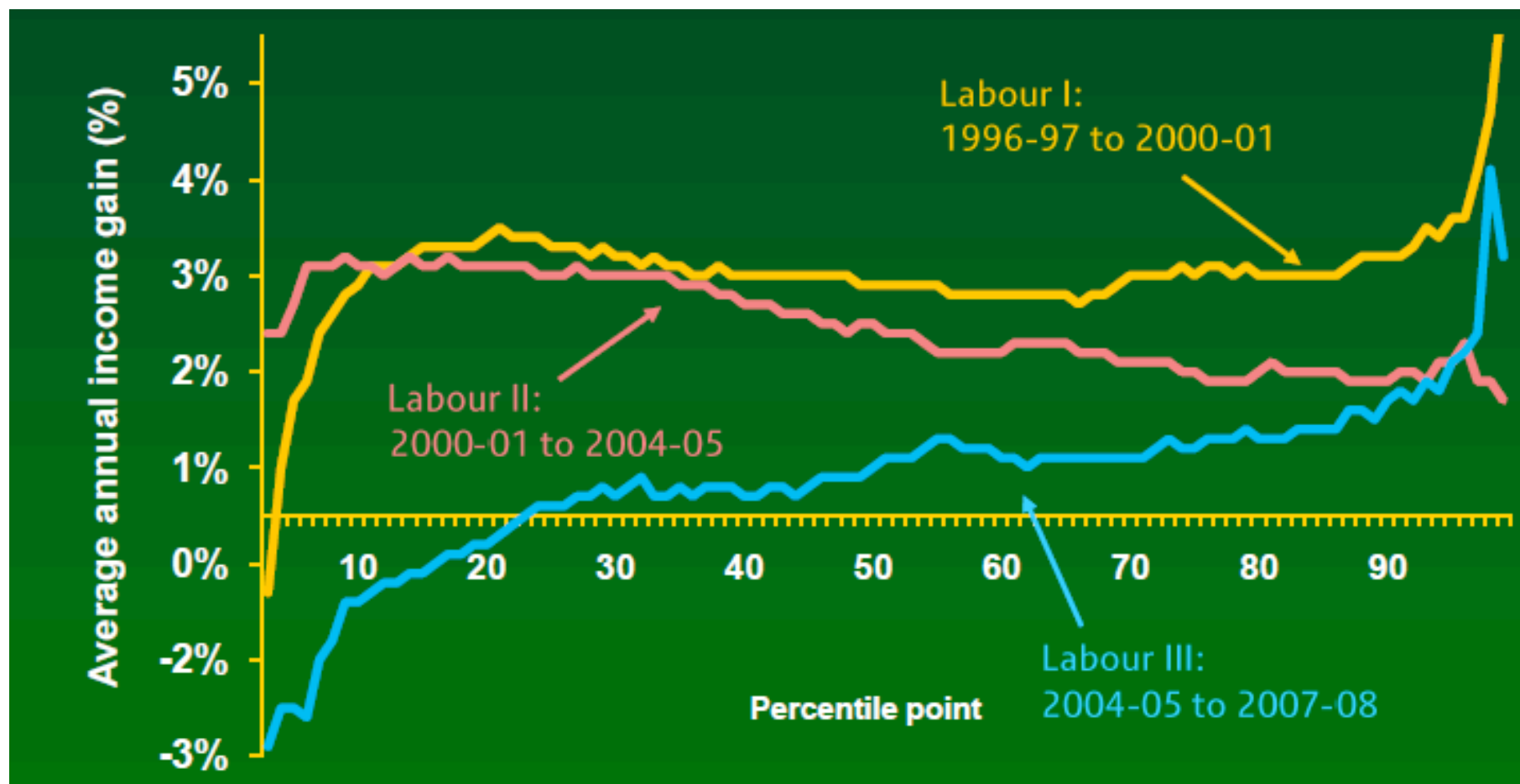
Indeed, income growth has been slightly higher for those on lower incomes – except at the extremes

Income changes by percentile group: 1996/7 – 2007/8 (GB)



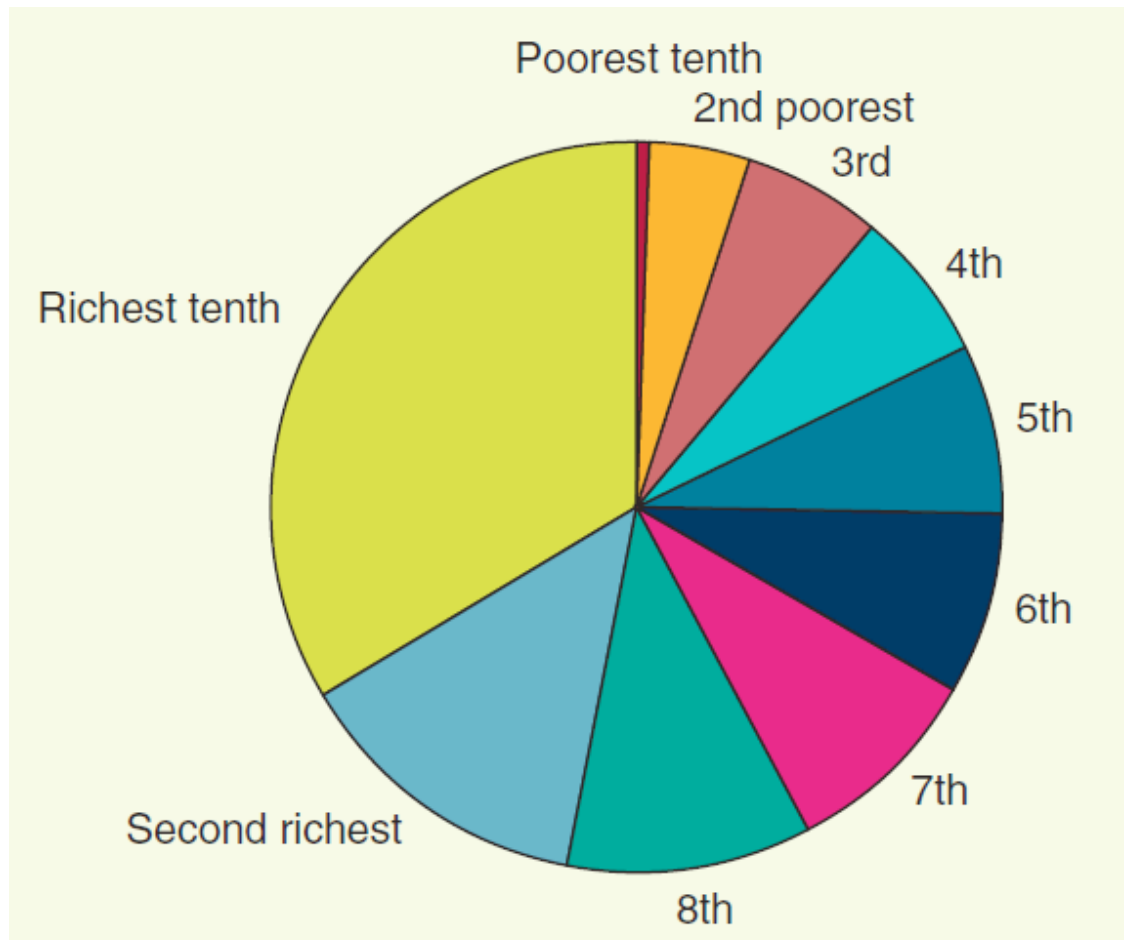
But the last five years have not been as good for income redistribution as the first seven

Income changes by Labour Parliament: 1996/7 – 2007/8 (GB)



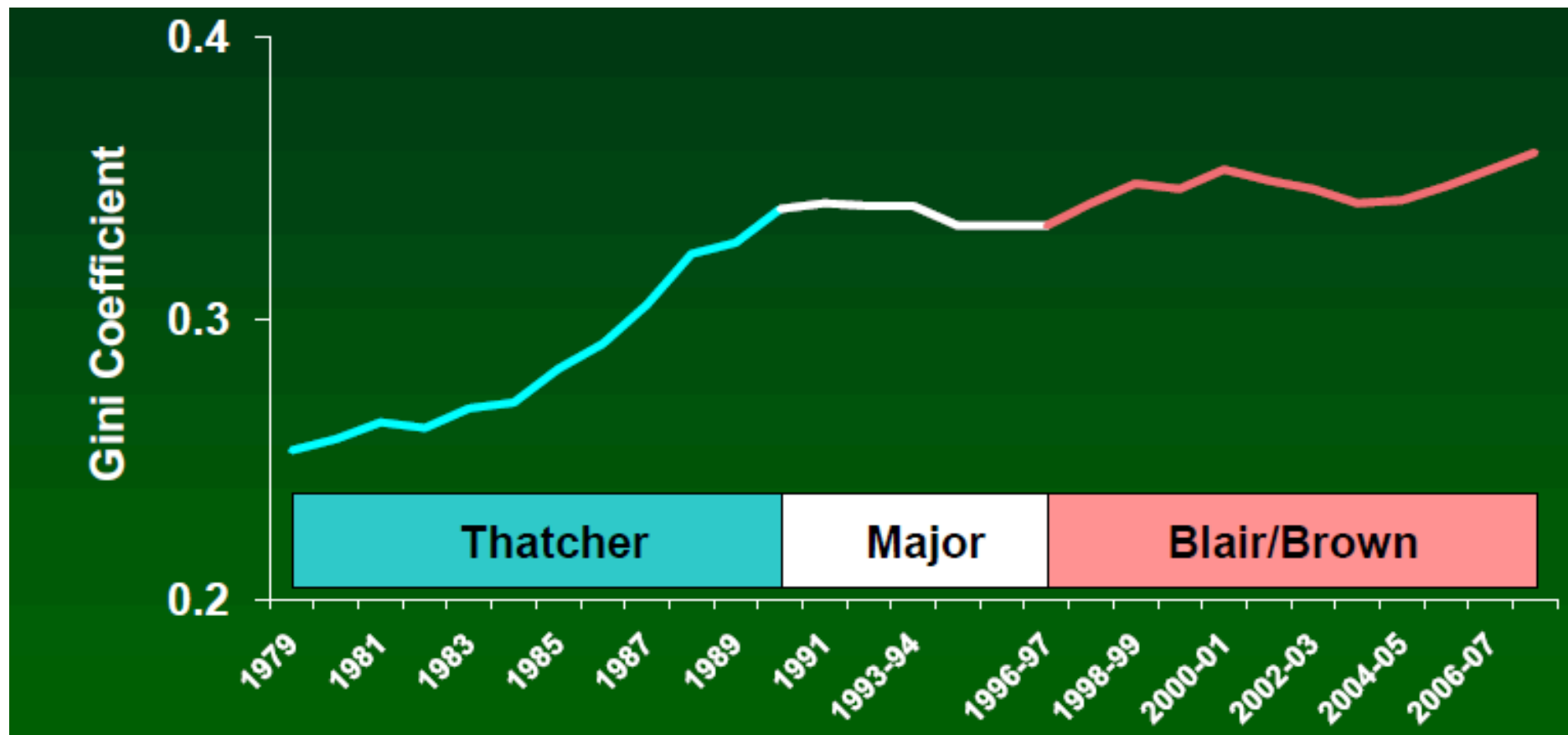
And even fairly similar *percentage* growth by decile means much larger *cash* increases for the rich...

Increase in real income by decile: 1996/7 – 2006/7 (GB)



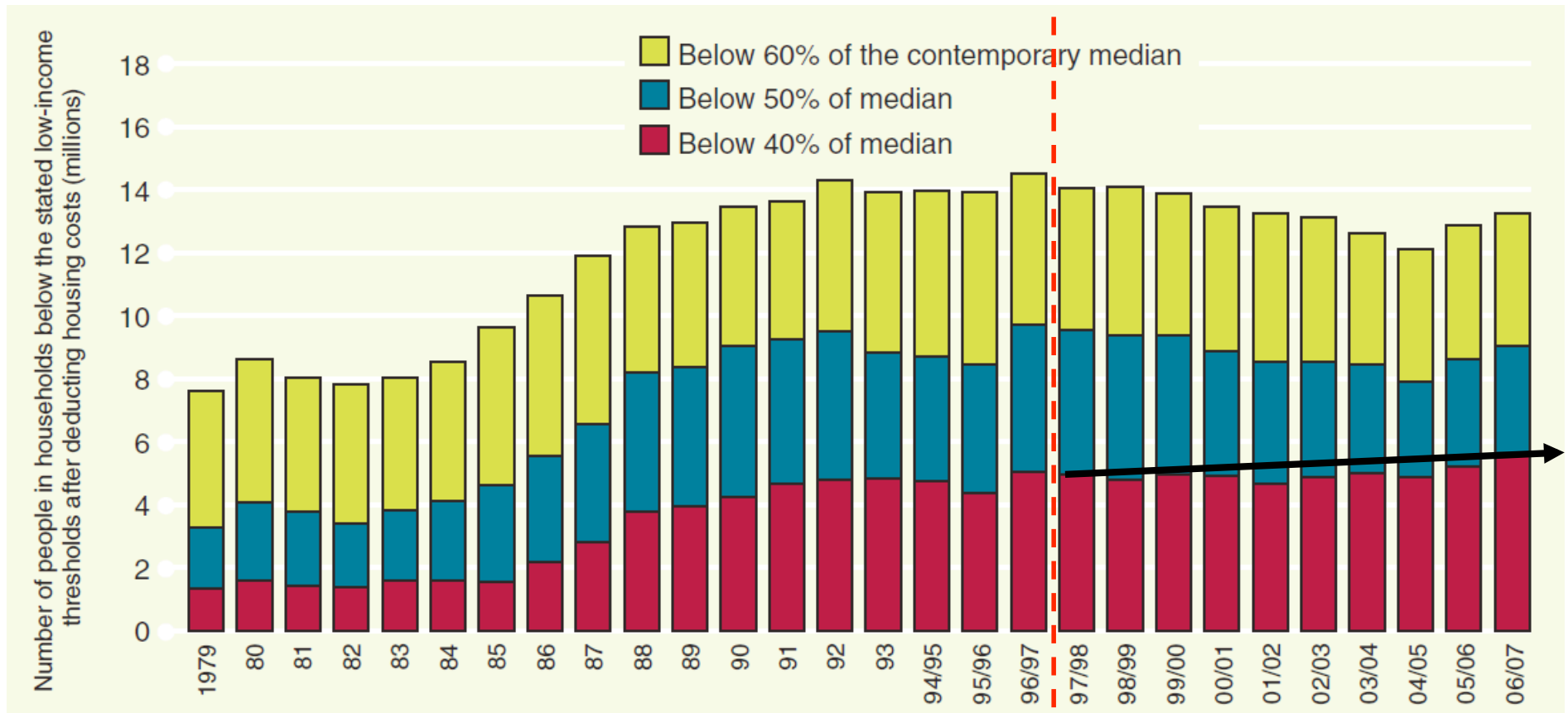
So income inequality has continued to rise – albeit much more slowly than in the 80s

The Gini Coefficient: 1996/7 – 2007/8 (GB)



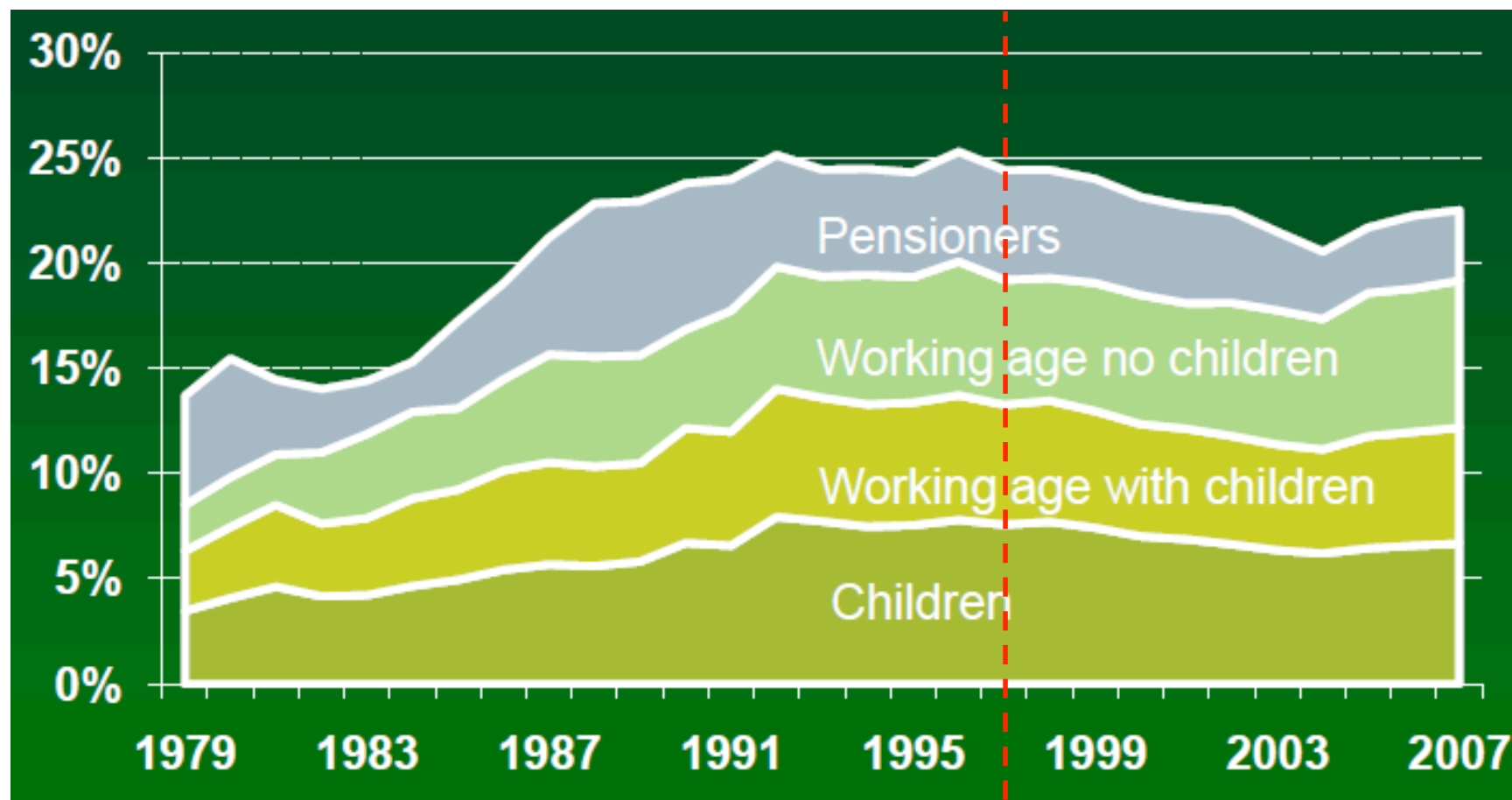
Relative poverty fell but has recently ticked up; and the number in the deepest relative poverty has increased

Number of people in households in poverty, after housing costs (millions)



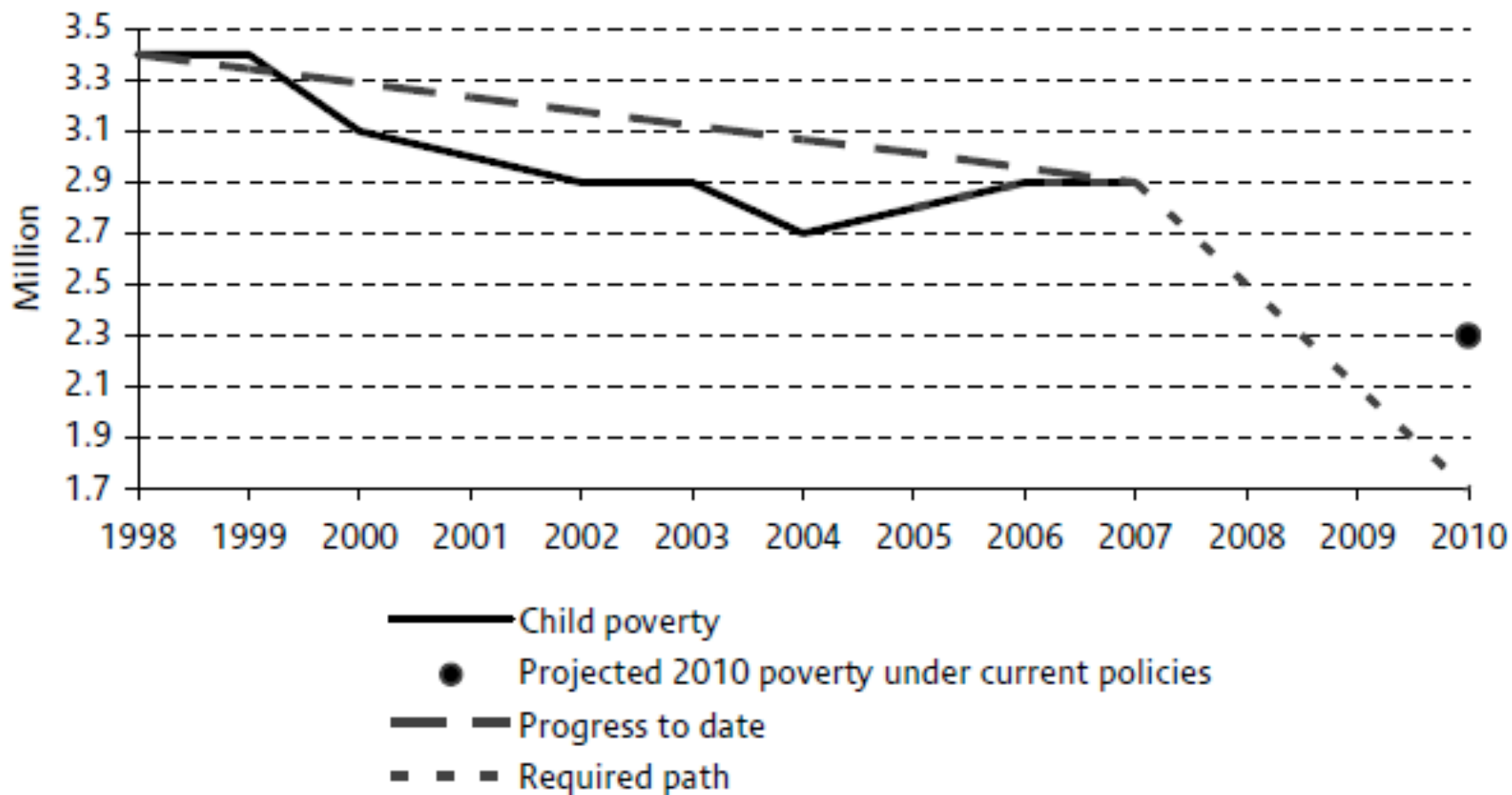
Poverty has fallen most among pensioners, and least among those of working age without children

Composition of relative poverty (definition: income after housing costs is below 60% of median income after housing costs)



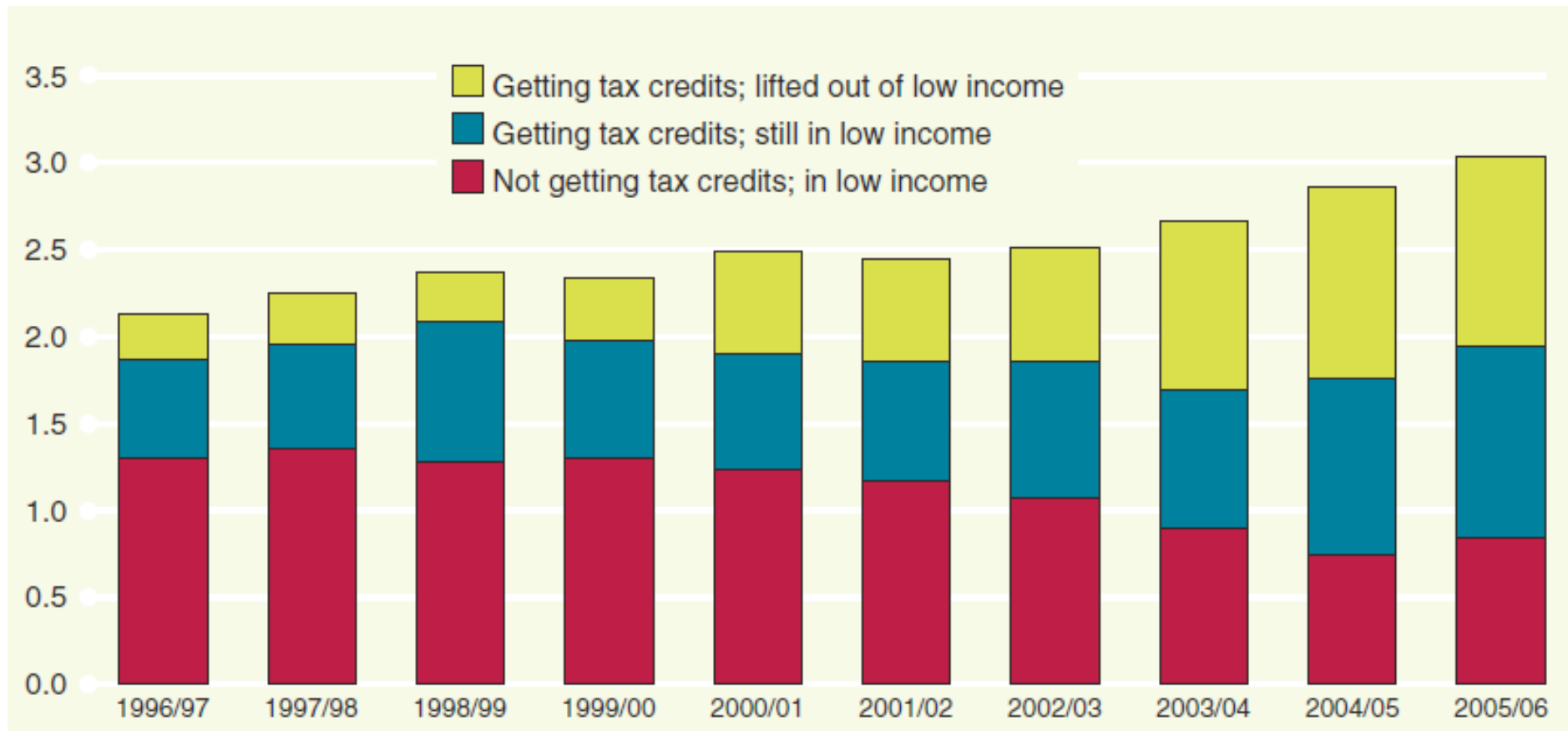
Child poverty has fallen – but meeting our ambitious target will be a real challenge

Actual, required and projected path of child poverty: 1998-99 to 2010-11



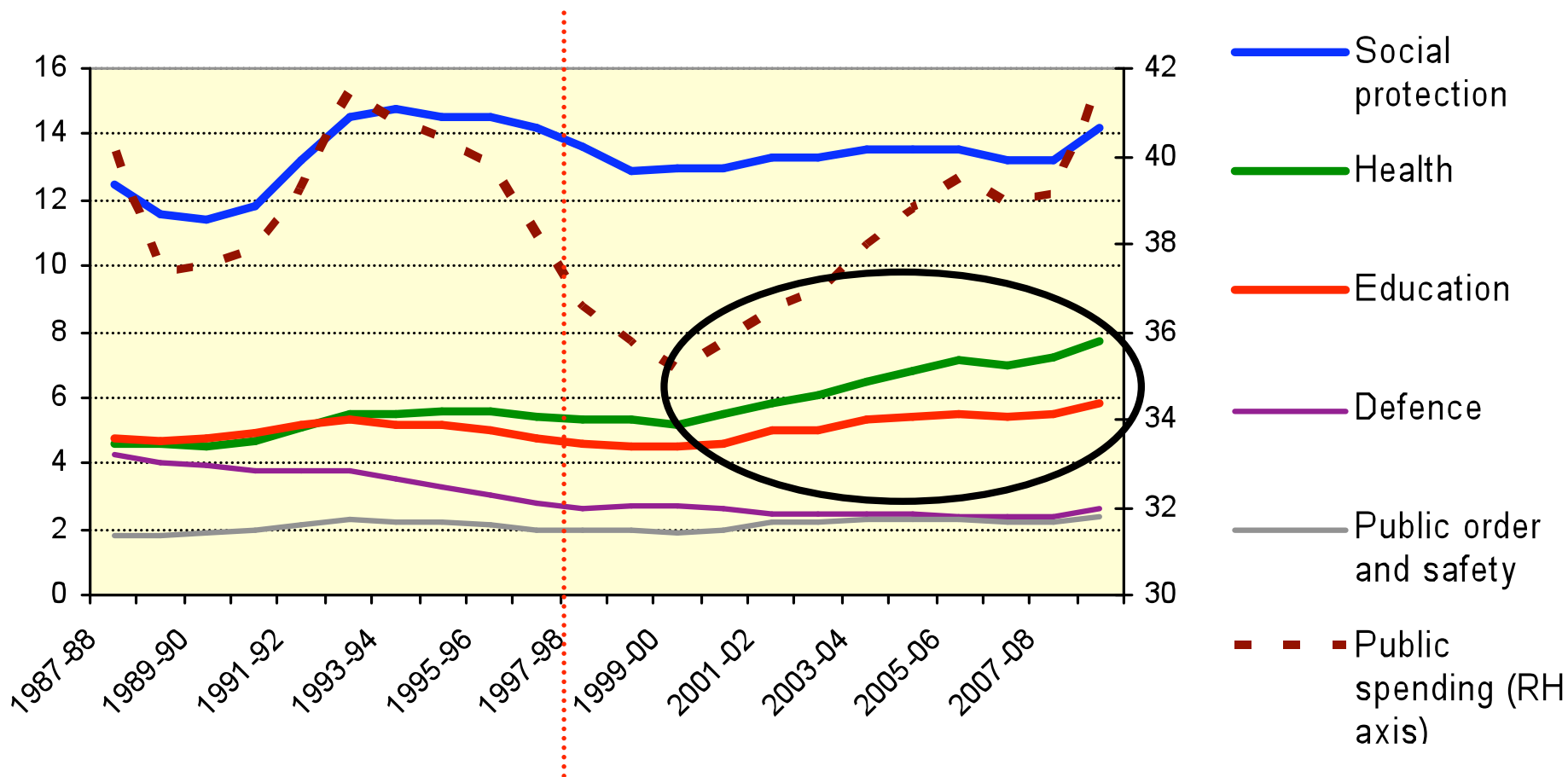
Tax credits now take around a million children in working families out of low income – but a million more children now need such support to escape low income

Children in families where at least one of the adults is working (millions)



We have increased public spending – particularly in health and education

Public spending as percentage of GDP



What has worked?

- ***Tax credits, a National Minimum Wage and increased benefits for families with children and pensioners have reduced poverty;***
- ***These measures have constrained the growth in inequality, but not reduced it;***
- ***Spending on the social wage – particularly education and health – has improved standards in universal services and there are some signs that social mobility may be starting to rise, after remaining low since the 1980s;***
- ***Recent tax and spending measures to tackle the economic crisis have been strongly redistributive and lay the foundations for a fairer income tax system in the UK;***
- ***But in its 3rd term, the government has been more fiscally constrained and therefore less able to offset the tendencies towards inequality;***
- ***The “Anglo-Social” model is good at generating employment but relies heavily on fiscal policy to reduce poverty and inequality***