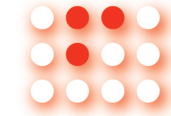


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Child poverty

Child poverty is costing Britain at least £25 billion a year, says the Joseph Rowntree Foundation.

Researchers for the social policy charity have found that the government spends £12 billion a year on services to remedy consequences of childhood deprivation, such as poor health, low educational attainment, crime and antisocial behaviour.

The Treasury commits an additional £2 billion in benefits and forgoes £5 billion in taxes and national insurance contributions from adults who do not get jobs as a direct result of an impoverished upbringing. The economy loses a further £8 billion from their lack of productive output, the Rowntree foundation says.

The figures were calculated by Donald Hirsch, the foundation's adviser on poverty, who used economic modelling to identify which costs could be directly attributed to childhood disadvantage. He said his estimates were cautious and the full cost could be much higher.

According to Hirsch's estimates, the £12 billion spent on services to remedy the consequences of child poverty includes: £2.8 billion to the social services budget, £2.7 billion to the NHS, £2.9 billion to education, £1.2 billion to the police and criminal

justice system and £2.5 billion for other services.

He said: "Getting rid of child poverty will not be cheap. But the large amounts presently wasted on paying for the fallout from child poverty could be more productively employed in preventing it from occurring in the first place.

"This would bring a double benefit – for the families whose quality of life would be improved and for society, which would no longer have to pay to pick up the pieces."

The government pledged in 1998 to halve child poverty by 2010 and abolish it by 2020. For several years the policy appeared to be working, but the number of children living below the official poverty line increased by about 200,000 from April 2005.

The government has admitted, in internal documents, that it is unlikely to meet the 2010 target. After spending billions bailing out the banks in the financial crisis, it is likely to have less money for tackling poverty, which will increase because of the recession.

But Hirsch said any slackening of the target would store up greater costs. "The £25 billion annual cost of child poverty can be seen as a clear justification for making strenuous efforts [to eradicate] child poverty, even if it takes considerable resources to achieve this end."

LABOUR RESEARCH DEPARTMENT

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He said there was a time lag between spending money to cut poverty and reaping the economic benefits. But eradicating child poverty would have an effect that would last for generations.

The study states: "Nobody can measure adequately the cost in physical or emotional suffering of a toddler living in a damp or overcrowded home, or of a child growing up in a deprived community where hope of a better life is constantly crushed. Political commitments to ending child poverty are based on the idea that a rich economy in the 21st century should be able to ensure that every child grows up with opportunities and is able to participate in society."

www.guardian.co.uk/society/2008/oct/23/children-social-exclusion
www.jrf.org.uk/pressroom/releases/231008.asp

Wealth gap stays wide

The gap between rich and poor in Britain remains wide, but the government has succeeded in preventing inequality from rising as quickly as it has in other countries in recent years.

The figures from a large international comparison by the Paris-based think tank, the Organisation for Economic Co-operation and Development (OECD), show Labour has a mixed record on tackling inequality, poverty and social mobility.

For the rich, the good news is it is relatively easy in Britain to ensure their children will have high incomes; for the poor, the bad news is their children are likely to be low paid, but they can get jobs, and the state boosts their incomes more than in most other countries.

Compared with other rich countries, the gap between rich and poor is large. Ranked by the Gini coefficient, the most widely used measure of inequality, Britain has the seventh highest income inequality in the 30-nation OECD bloc with only Italy, Portugal and Poland having a less equal income distribution in the European Union.

Britain's inequality started to deteriorate in the 1980s under Thatcher. In recent years, many other countries have experienced a rise in inequality comparable with those faced by Britain during the Thatcher years, while in the UK it has remained relatively static, though at a high level.

The OECD report found inequality has fallen a little since 2000, while the government's official figures show it to be static.

Most of the inequality comes from a wide dispersion of incomes among the better-off, with the very richest having a significantly higher income than the middle classes. Under the Blair government, the poor's incomes rose strongly as employment increased and in-work benefits were boosted.

The poorest 10% in the UK has the seventh highest levels of incomes in the OECD bloc of 30 countries, receiving much more than the poor in the USA and Germany, for example.

The OECD said the experience of being poor mattered far less if people have low incomes for a short period, for example, between jobs or as students. The experience of persistent poverty was about average in Britain, but children were much more likely to suffer, while pensioners were unlikely to be persistently poor.

But, even if Britain scores relatively highly on these short-term measures of inequality and poverty, it slips near the bottom of the table on comparisons of social mobility. The ability of poor youngsters to improve on the earnings of their parents was on a par with that of families in the USA and Italy, the two other laggards.

Gordon Brown, the prime minister, recently admitted that "social mobility has not improved in Britain as we would have wanted. A child's social class background at birth is still the best predictor of how well he or she will do at school and later on in life".

Mark Pearson, head of the OECD's social policy division, said it might surprise many that Britain has done better than other countries in stopping inequality rising this decade. "The main reason is probably because of the increase in employment," he said.

www.ft.com
www.oecd.org/document/25/0,3343,en_2649_201185_41530009_1_1_1_1,00.html

Vote on short-time working saves jobs

Union members at seven plants, owned by construction equipment group JCB, have voted to accept short time as alternative to 350 redundancies.

Members of the GMB general union voted by more than two to one to go on short time to save the jobs at the firm's factories, including sites in North Wales, Cheshire and Staffordshire.

The workforce will now work 34 hours over four days a week, Monday to Thursday, depending on shift times. They will stand to lose £50 a week and this will be made up by £20.45 a day guaranteed minimum pay for five days in 13 weeks.

Keith Hodgkinson, GMB organiser, said: "The short time is part of a worsening recession and these GMB members expect the government and the Bank of England to take the necessary steps to begin large scale public works to at least slow the recession down and prevent it getting too deep."

www.gmb.org.uk/Templates/Internal.asp?NodeID=97746

Private – public divide in last pay round

It was one rule for the private sector, another for the public sector in the 2007-08 pay round.

And the private sector is starting to show the marked impact of inflationary pressures, while the cap on public sector pay is keeping a lid on economy-wide figures, according to a survey of the last pay round. The findings are based on Labour Research Department's database of 800 agreements covering around 6.3 million workers. The full survey is published in the October issue of *Workplace Report*.

Private sector negotiators achieved rises of 45% more than those in the public sector, with the average (median) of deals in the private sector reaching 4%, while in the public sector the figure stood at 3%, and when weighted by numbers of employees, was only 2.75%. This strongly reflects the NHS Agenda for Change settlement (also 2.75%) covering 1.2 million staff. The upper quartile (the top 25%) of employees in the private sector received rises of 6% or more.

Moreover, against a background of the rising cost of living, the survey shows negotiators across the board have sought additional pay and non-pay elements, such as leave and flexibility, allowances and bonuses, to add value to overall pay deals. Also noticeable is a minority trend for "fairness" in pay, with underpinning payments for the lowest paid; and for moves against bargaining fragmentation in particular sectors, including the civil service and transport sectors.

Key findings of the survey include:

- Economy-wide average pay settlement of 3.9% – up from 3.6% in 2006-07 and 3.3% in 2005-06.

- Average (mean) pay settlement economy-wide of 3.84% – up from 3.82% last year. The mean weighted by number of employees is 3.59% – up from 3.28%.

- Average pay settlement across 2.6 million private sector employees: 4.29% (median 4%).

- Average pay settlement across 3.1 million public sector employees: 2.99% (median 2.75%).

- Highest sectoral median rises were: energy, water, mining, and nuclear at 4.3% followed by construction at 4.2%.

- Lowest sectoral medians were: public administration at 2.5%, education and health – both at 3%, and hotels, catering, retail and wholesale 3.2%.

www.lrd.org.uk

UK economy is heading for recession

Official figures confirmed what most people feared and prime minister Gordon Brown admitted – the country appears to be heading for a recession.

The economy shrank by 0.5% in the third quarter of the year on the previous quarter, according to the Office for National Statistics. It is the biggest drop in UK gross domestic product (GDP) since the first quarter of 1990.

Manufacturing output fell by 1% as did production (including mining, gas and electricity) as a whole, while construction was down by 0.8% compared to the previous quarter.

The services sector – which accounts for three-quarters of the UK economy – fell 0.4%, the biggest drop in 18 years. Within the services sector, hotels and restaurants saw the biggest fall, down 1.7%, compared with an increase of 0.2% in the previous quarter.

If the economy shrinks again in the final quarter of the year then technically the country is in recession with output falling in two consecutive quarters.

The year-on-year figures give more mixed messages with the economy growing by 0.3%. Output of production industries was down by 1.9% and in that figure, manufacturing output was down by 1.6% on the same quarter 2007. But construction output was up by 0.7% and the service sector grew by 0.7%.

Brendan Barber, general secretary of the TUC, called for urgent action from the Bank of England starting with a substantial cut in interest rates. He

also said the government must now give the same commitment to fighting recession as they have to saving the banking system.

"They should make the recession as short and shallow as possible; make sure that those who did least to cause the downturn do not suffer the worst consequences; and ensure we emerge from it with a fairer, more balanced and sustainable economy. They must not simply recreate the conditions that helped bring about the economic crisis," he said.

He also set out a new agenda for the government, which "should plan for a green industrial revolution to make the UK the most advanced and vibrant low carbon economy in the world".

"This would create jobs and help rebalance the economy away from its over-emphasis on financial services," he said. "It should involve new spending, not just bringing forward planned expenditure."

www.statistics.gov.uk/pdffdir/gdp1008.pdf
www.tuc.org.uk/economy/tuc-15516-f0.cfm

Paying to oppose equal pay in Scotland

Scottish local authorities have paid at least £1.6 million of taxpayer's money to lawyers to oppose the thousands of equal pay cases against them, at the same time as they have already paid out millions more in offers to workers affected, according to the Scottish TUC.

Information obtained from local authorities by the Scottish TUC (STUC) reveals that council taxpayers' money is already funding a substantial legal bill to block equal pay claims, with the claims that are progressing through the Employment Tribunal system still only at preliminary hearing stage.

Mary Senior, STUC assistant secretary, said it has "real concerns that the only winners in this equal pay conundrum are the corporate lawyers. The current situation is not helping the women whose jobs have been undervalued for decades, nor local council tax payers."

"We are in danger of equal pay litigation spiralling out of control. Cases that are being heard are only in preliminary hearing, we are not yet discussing the real issues on equal value, bonus systems, and the merits of each case."

"What is becoming increasingly apparent is that

the Employment Tribunal system, as currently organised, is not dealing with this effectively," she said. "We need to take a fresh look at the situation to establish an appropriate forum to resolve this kind of mass litigation."

"Everyone appears to want to wash their hands on equal pay, when what is desperately needed is the money and political will to pay hard working women workers, and end discrimination."

The STUC wants "a serious commitment to equal pay" and says "the Scottish government is best placed to take this issue forward".

www.stuc.org.uk

Pensions are hit by fall in share prices

Nearly £157 billion has been wiped off of the value of defined contribution pension funds in the past year as stock markets around the world have plunged, according to figures from financial adviser Aon Consulting.

In October 2007, the value of defined contribution pension assets stood at just over £552 billion, however by October this year, the value had dropped by over a quarter (28%) to approximately £395 billion. This is despite employers and employees paying £6.7 billion worth of contributions into DC pension funds in total over the same period.

Helen Dowsey, principal in the benefit solutions division at Aon, said: "It may appear a double blow to workers that not only are they facing more of a struggle to make ends meet, but the economic turmoil is also seemingly eating into the money they have been putting aside for retirement. However, most workers will have the fortune of time on their side as their retirement will be many years away, enough time to weather the current storm."

Defined contribution schemes are also known as money purchase schemes and provide a pension based on how the money is invested – usually in shares – performs over the period to retirement.

www.employeebenefits.co.uk/item/7888/23/5/3?nl=WN