

**ESRC RESEARCH CENTRE FOR ANALYSIS OF
SOCIAL EXCLUSION**

ANNUAL REPORT 1997/98

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SUMMARY

- ◆ The ESRC Research Centre for Analysis of Social Exclusion (CASE) started work in October 1997.
- ◆ The Centre's objectives agreed with ESRC are to develop understanding within five broad areas: income mobility and economic exclusion; the role of social welfare institutions; family change and civil society; the dynamics of area decline and regeneration; and analysis of the concept of social exclusion.
- ◆ Books or major reports were published by Centre members on aspects of each of the four empirical strands of its work.
- ◆ Excluding publications largely reflecting research completed before October 1997, a total of 10 books, chapters in books or refereed journal articles were published in the year, with a further 14 accepted for publication as a result of work during the year.
- ◆ The Centre's own series of *CASEpapers* was established, with 14 published in the year. Accessible summaries of its work were published in its first 7 *CASEbriefs*.
- ◆ CASE organised or co-organised 10 major events during the year, including public conferences and seminars, and residential conferences arranged for research users within government. CASE held 21 seminars during the year.
- ◆ CASE hosted its first international visitors and awarded the first of its "user fellowships", which allow non-academic research users to spend time within the Centre.
- ◆ CASE attracted substantial media attention during the year, with articles related to its work appearing on average more than once a week, and radio or TV interviews more than once a fortnight.
- ◆ The year was very successful in terms of engagement with research users. As well as the events we organised, CASE members contributed to a wider range of official committees and reviews, and took part in more than 100 presentations, submissions, briefings or discussions with research users during the year.
- ◆ Research staff inputs during the year amounted to 9.7 full-time equivalents, of which 4.3 were funded by ESRC. Twelve members of LSE and Bristol University teaching staff contributed some or all of their research time to CASE.
- ◆ ESRC core funding amounted to £300,000, just under half of the Centre's total spending of £660,000. During the year new grants with a total value of more than £100,000 were awarded to the Centre.

CASE – An Introduction

The ESRC Research Centre for Analysis of Social Exclusion (CASE) was established in October 1997 with funding from the Economic and Social Research Council. It is located within the Suntory and Toyota International Centres for Economics and Related Disciplines (STICERD) at the London School of Economics and Political Science, and benefits from support from STICERD, including funding of its Toyota Research Officer, and is associated with the School's Department of Social Policy and Administration. As well as research funding from the ESRC, it carries out research funded by other bodies, including the Joseph Rowntree Foundation, the Nuffield Foundation, the Gatsby Charitable Foundation, the Department of the Environment, Transport and the Regions, the Housing Corporation, and the National Housing Federation.

The Centre's objectives as agreed with ESRC can be summarised as:

- ◆ Understanding the range of factors which explain income mobility, in particular the individual factors and social institutions which prevent poverty and exclusion and promote recovery from periods of low income.
- ◆ Investigating the role of social welfare institutions including education, social security and private welfare arrangements in preventing exclusion (or failing to do so).
- ◆ Understanding the factors which enable successful coping with changes in family behaviour, including trends in cohabitation, child-bearing, and marital breakdown and the reasons for and effects of international differences in family, parenthood and partnership behaviour.
- ◆ Understanding the dynamics of area decline and regeneration, the factors contributing to different area trajectories, the effects of area on the life chances of those living in poor areas, the processes by which these effects occur, and the effectiveness and cost of area-based government policies.
- ◆ Analysis of the concept of social exclusion and contributions to the development of policies to combat it and promote inclusion.

Some of the findings from our research under each of the headings are discussed below by those leading the research in each area, and the activities of CASE members involved in each area are described in Appendix 1.

CASE subsumes the former LSE Welfare State Programme, and includes the research and consultancy group, LSE Housing. It houses a number of postgraduate research students working on topics connected within its core areas of interest. It also contributes to research training in the field through organising and teaching part of the LSE's MSc in Social Research Methods (Social Policy).

It organises regular seminars on empirical and theoretical issues connected with social exclusion, and co-organises the monthly Welfare Policy and Analysis Seminar, supported by the Department of Social Security.

CASE hosts visitors from Britain and overseas, and members of LSE teaching staff on special or sabbatical leave.

The centre publishes discussion papers in its *CASEpapers* series and summaries of its research in its *CASEbriefs*, as well as books and articles in academic journals. Information about the Centre, including the texts of our *CASEpapers*, *CASEbriefs* and *CASereports*, are available on the CASE website (<http://sticerd.lse.ac.uk/case.htm>).

Review of the year, 1997/98

In its first year CASE has worked towards establishing itself both within the academic world and amongst research users as one of the country's leading research groups in its field. In one sense its major initial achievement has been successfully bringing together and recruiting a team of researchers covering the different strands of its work. The research outcomes of this are discussed in the articles which follow, and more details of research activities are given in Appendix 1. But as well as launching a new series of research studies, it has also produced a healthy flow of completed research output and has led a number of major conferences and seminars around its work. Highlights of the year included:

- ◆ The launch of the Centre by the Secretary of State for Social Security and Minister for Women, Harriet Harman, MP in November 1997.
- ◆ Publication of the first 14 of our CASEpapers series, with 7 summaries of these (or other work) in our CASEbrief series.
- ◆ Publication of four books or major research reports on aspects of each of our empirical strands of work: income distribution; the welfare state; lone parenthood; and the geographical distribution of public spending.
- ◆ A wide range of other publications (see Appendix 2A). The team brought together was, of course, working separately on some of these before CASE was established, and some publications reflect research substantially completed before October 1997. However, research during the year resulted in 4 chapters in other books and 10 journal articles, with a further 2 books, 6 book chapters and 6 journal articles already accepted for publication as a result of work in the year.
- ◆ The first seminars in our series on 'exclusion and society'. In all the Centre hosted 21 seminars during the year.
- ◆ As well as our launch, we organised or co-organised a further 9 major events during the year, including a public conference on 'Welfare reform: learning from American mistakes?' with one of our visitors, Professor William Julius Wilson of Harvard University, and residential conferences arranged for HM Treasury, the Government's Social Exclusion Unit, the Housing Corporation and the Department of the Environment, Transport and the Regions.
- ◆ Our first international visitors, including Professor Wilson, Professor Irwin Garfinkel from Columbia University, and Professor Sara McLanahan from Princeton University.
- ◆ Establishment of our innovative "user fellowships" with Nigel Campbell from HM Treasury as our first fellow, spending 3 months in the Centre working on an analysis of early retirement.
- ◆ A substantial volume of research funded from other sources in addition to our core ESRC funding. As well as funding for events and conferences, new projects were approved during the year to be funded by the Joseph Rowntree Foundation and the National Housing Federation; new grants totalled more than £100,000.

- ◆ Attraction of substantial media coverage, with newspaper articles by CASE members or about the Centre's work appearing on average more than once a week during the year, and radio or TV interviews with CASE members on average more than once a fortnight.

Details of the Centre's output and external relations activity during the year are given in Appendix 2A and B. Performance indicators are summarised in Appendix 3.

User engagement and dissemination

Like the Economic and Social Research Council which supports our work, CASE is strongly committed to effective dissemination of its research, and to strong and constructive relationships with users and potential users of that research. Conventional routes for research publication like books and academic journal articles remain central to dissemination within the research community. However, to ensure that the results of our work are available more quickly than conventional publication we circulate our own series of *CASEpapers*. In most cases the material contained in the papers will be published in a revised form, and early circulation allows us to incorporate comments and to refine our analysis in the light of them. Centre members also present their research at and participate in a wide range of academic conferences and seminars in the UK and overseas, with more than 50 papers presented at conference and seminars during the year (and members attending a further 20 events). We also ensure that our research findings are available to a wider audience through other routes. Where appropriate our papers and books are accompanied by summaries in the form of our own A4 format *CASEbriefs*.

As well as publications and special events, "user engagement" also comes through formal roles of Centre members, including membership of advisory committees for HM Treasury, the Department of Health, the Department of Social Security, the Department of the Environment, Transport and the Regions, and the UN Economic Commission for Europe, as well as a variety of other research and policy groups (see Appendix 2B). Centre members presented oral or written evidence to official bodies including the Royal Commission on Long-term Care, the Government's Pensions and Welfare Reform Reviews, the Pensions Provision Group, the House of Commons Select Committees on the Treasury and Social Security, the New Deal Taskforce, the Independent Inquiry into Inequalities in Health, and the Social Exclusion Unit. Outside government, seminar and other presentations included to the Glasgow Regeneration Alliance Social Inclusion Inquiry; the Association of British Insurers; the Corporate Responsibility Group; the Local Government Management Board; the Child Poverty Action Group; the Disability Benefits Consortium; and Ballymun Regeneration, Dublin.

The high profile of social exclusion issues during the year meant that Centre members were in heavy demand and made more than 40 presentations or submissions of this kind, and took part in more than 70 other briefings or discussions with ministers and politicians from all the main political parties, civil servants, private sector representatives, journalists, members of voluntary organisations, and visiting academics, officials and politicians from abroad.

Finances

Core funding from ESRC during the year October 1997 to September 1998 amounted to almost £300,000, just under half of the Centre's total spending during the year of £660,000. The other half of the centre's funding came from an ESRC research project, host institution funding from the LSE, and from organisations including the Joseph Rowntree Foundation; the Nuffield Foundation; the Gatsby Charitable Foundation; the Department of the Environment, Transport and the Regions; the Department of Social Security; the Housing Corporation; and others (for details see Appendix 2C). With the phasing of research agreed with ESRC and the build-up of staff during the year, spending from core funding was somewhat lower in our first year than it will be in later years. Concentration on core activities and completion of some projects which were already underway in October 1997 and were absorbed into the Centre means that funding from other sources is likely to be smaller in the coming year. During the year new grants with a total value of over £100,000 were awarded to the Centre.

The coming year

The major new activity of the coming year will be the start of design and preparatory work for a qualitative longitudinal study of families living in four neighbourhoods within the twelve low income areas we are studying more generally. This will include identification of the neighbourhoods; background research to prepare "social maps" of them; formulation of precise areas of investigation for the study; and piloting of interview schedules and contact arrangements.

The year will also see the completion of papers resulting from core-funded work started in 1997-98 on: analysis of income mobility; comparative analysis of international data on family patterns; the characteristics of the twelve low income areas whose trajectories we are comparing; and indicators of social inclusion and exclusion. Work in all these areas will continue. Research which we plan to complete in the year includes: a book on funding formulae for devolved public services; comparative analysis of microdata on income distribution and the impact of social welfare in Japan, Taiwan, South Korea and the UK; a comparative study of the organisation of 'welfare to work' schemes; and a project examining housing management issues on large social housing estates.

The Centre's key objectives for the next year are:

- To maintain the flow of completed written output established in its first year at roughly the same level.
- To complete preparatory work on the qualitative longitudinal family study.
- To secure co-funding for one or more new research projects.
- To develop mechanisms and overlapping activities which strengthen the links between the strands of the Centre's research.

Researching Social Exclusion

At the heart of the work of CASE is a concern for the processes of exclusion and inclusion, and hence with the dynamics of people's lives, and with the factors and institutions which determine those dynamics:

- How many people who are poor one year remain poor the next, and how many who appear to escape from low income drop back again with only a short respite?
- If people “go private” and opt out of state welfare services in one year, does this mean that they are more likely to stay private the next and to press for lower government spending?
- Where government intervenes to try to affect people's employment patterns – for instance through “welfare to work” initiatives or maternity leave legislation – how big are the effects, and how long do they last?
- Why does Britain have the highest teenage fertility rate in Europe, and what are the implications of this?
- How do childhood circumstances – family structure, childhood poverty, parental interest in schooling – affect adult outcomes?
- Why do some low income areas recover while others appear trapped in deprivation – do business, government, or community initiatives make a difference?
- How does living in a poor neighbourhood affect educational opportunities, chances of getting a job, of moving off or remaining on benefits?
- If people are not participating in society in one dimension – say, employment or other productive activity – does this lead to exclusion in other dimensions, for instance lack of political involvement?

Questions like these are crucial to social scientists because they take us beyond simply noting associations between variables – say, between parental divorce in childhood and a range of poorer outcomes in adulthood – to an attempt to disentangle and understand the processes at work. Our emphasis on social exclusion and inclusion reflects the way in which people's participation – or lack of it – in society and the economy both changes over time and is affected by what has gone before.

The Economic and Social Research Council (ESRC) had identified social exclusion and inclusion as a priority for major research initiatives in 1995, and awarded funding for CASE in 1996. This pre-dated the change of Government in 1997, but the start of our work in October 1997 came shortly after the new Government had identified combating social exclusion – hitherto a rather alien phrase in the British political debate – as one of its central aims, and after it announced that it was setting up its own “Social Exclusion Unit” to report on key issues that cut across Whitehall department boundaries.

We are a research institution with a programme of academic research planned for the next few years, rather than the research wing of a government department, but we have been pleased that the co-incidence of academic and policy concerns has generated growing interest in the Centre in its first year as we have begun to produce

early findings. Results from our research have contributed to policy debates inside and outside government in a number of areas. Indeed, the Centre has organised a series of events and conferences designed to help such debates, bringing together leading academics, officials, and practitioners (see Appendix 2)¹. As a complement to our ESRC-funded research we also carry out related projects with funding from both official and independent funders, creating what we hope will be a productive relationship between long-term research and practical applications.

Exclusion, incomes and dynamics

However, the sudden emergence of the phrase “social exclusion” in British political debate has left the danger that people may be talking at cross-purposes. On the one hand, it probably first hit many British ears in statements from the European Commission in the late 1980s, used in many cases where the then British government would have objected to the use of the word “poverty” in referring to problems which affected all member states. For others it may be seen as a different kind of euphemism, substituting for the US notion of an “underclass”, but trying to avoid some of its ideological baggage.

For ourselves, and in selecting the phenomena we are investigating, it has a much more useful content, as Julian Le Grand discusses below. First, it refers to a wider range of problems than just income poverty, although income remains a key determinant of whether people can fully participate in society. But it also goes beyond issues of multiple deprivation to introduce the ideas of process and of dynamics.

For instance, part of our work is concerned with incomes. Thanks to the existence of new longitudinal datasets like the British Household Panel Survey (BHPS) being produced and analysed at Essex University, we are getting a much better picture of what happens to people’s incomes over time. When the first results from these data became available showing incomes recorded two years apart they were used by some to imply considerable mobility in the Britain of the 1990s. For some on the Right, such findings implied that the increases in income inequality seen in ‘snapshot’ surveys in the 1980s were less of a problem than previously assumed. For others on the Left, the implied mobility also knocked on the head the idea of a stagnant underclass cut off and separate from the rest of society.

Later analysis, including some at CASE, shows that the picture is far more complex than this. In both analytical terms and in thinking about policy one has to distinguish between groups depending on the patterns their incomes follow over time. People may “escape” from low income between one year and the next, but for many the increase in income is not very large, and does not last long. Policy needs to focus not just on the initial movement – as in “welfare-to work” measures like the New Deal – but also on ways of sustaining upward movement and preventing people falling back again. We are trying to identify some of the individual factors which affect what kinds of trajectory people’s incomes follow, and also the impact of social welfare institutions through the kind of work which Howard Glennerster describes below.

Childhood circumstances and adult outcomes

Our core funding from ESRC allows us to plan and embark on long term research, much of which has only just begun. But we are already beginning to piece together answers to some of the kinds of question raised above. As we do so, the complexity of some of the processes involved becomes apparent.

Part of our work concerns the relationships between what happens during people's childhoods and their later life chances. Kathleen Kiernan's research on the National Child Development Survey (NCDS) – data on a group of people born in the first week of March 1958 – has shown the way in which parental divorce during childhood is associated with what most would consider poorer outcomes in adulthood, in terms of lower educational qualifications, more unemployment, lower incomes, greater partnership instability themselves, and greater likelihood of early parenthood.

But the relationship between these outcomes and childhood circumstances is not straightforward. Other factors, like childhood poverty – as reflected in parents' reporting of financial difficulties – are also associated with such outcomes, *and* are associated with parental divorce. Careful use of the panel data allows some of these influences to be disentangled. When this is done, it turns out that many of the poorer *economic* outcomes for the children of divorced parents can be traced back to factors other than family structure through childhood, such as parental education levels and financial hardship. On the other hand, the poorer *demographic* outcomes – such as partnership and marriage instability – are strongly affected by the experience of parental divorce during childhood (and even parental separation *after* childhood).

In some of these areas we can see a chain reaction: those who are currently divorced are more likely to be unemployed, receiving social security benefits, and reporting disability than others; the same factors – with the addition of financial difficulties – are also precursors of divorce within the next few years.

In further work, John Hobcraft has examined the impact of a wider range of childhood variables on adult outcomes. His work shows that, even controlling for other crucial background factors – such as parental social class or early educational achievement – factors like childhood poverty, family disruption, contact with the police, and parental interest in schooling emerge as powerful and consistent predictors of a range of unfavourable adult outcomes relating to social exclusion (see box below).

Neighbourhoods, zones and residents

Work of this kind requires careful analysis of large-scale datasets like the NCDS or BHPS, and a large part of our future research programme is based on such analysis, using both British datasets and comparable datasets from other countries. Our research also brings together a range of other approaches and data sources. For instance, our work on areas and neighbourhoods, addressing questions discussed below by Anne Power, is also concerned with dynamic processes in two ways.

First, we are collecting a wide variety of information on twelve contrasting low income neighbourhoods to try to understand what explains their trajectories in terms of social and economic indicators. What drives regeneration, or by contrast

contributes to a spiral of decline and marginalisation? To what extent are these affected by government policies, and if so is it national or locally-focussed decisions which have the greatest effect? As the new Government produces a plethora of Health Action, Education, and Employment Zones, alongside the ambitious 'New Deal for Communities', such questions have increased topicality and we may be able to track their results in some of our case study areas.

Second, we would like to understand better the ways in which the characteristics of the areas where people live affect their life chances, particularly where those areas contain concentrations of poverty and unemployment. As part of our research in the coming year we shall be designing and piloting a qualitative longitudinal survey of families living within some of our case study areas, trying to understand area processes from the perspective of local residents: what are the constraints which limit people's life chances, and what are the ways in which they cope with those constraints?

This "bottom up" perspective on the Centre's work is helped by our connection with the National Tenant Resource Centre, at Trafford Hall, near Chester. As part of this link – supported by the Gatsby Charitable Foundation – we are contributing to training for community groups, and are organising and monitoring a small self-help grants programme for community initiatives. Participants in training and grant programmes have also been informing us about area problems from their perspective through structured discussions.

One of the most rewarding aspects of the Centre's first year has been the way in which we have begun to bring together research from the inter-linked strands described in the following articles. This allows us to bring a variety of perspectives to bear on our central research concerns. This combination, with the co-incidence of policy interest, newly available longitudinal data, and long-term core funding from ESRC, puts us in a position to make real progress with a challenging research agenda.

John Hills
October 1998

¹ See, for instance, *New Cycles of Disadvantage? Report of a conference organised on behalf of ESRC for HM Treasury*, CASEreport 1, by Anthony Lee and John Hills.

Understanding the range of factors which explain income mobility, in particular the individual factors and social institutions which prevent poverty and exclusion

John Hills

While the issues raised by social exclusion and inclusion go wider than simply looking at income or consumption as the sole measure of participation in society, there is no escaping from the importance of understanding what is happening to people's incomes over time – and why they are changing. Work within CASE over the year has tackled this in a variety of different ways.

At the most straightforward we prepared a survey, published by the Joseph Rowntree Foundation, of recent statistical and research evidence on what has been happening to income distribution in the UK.¹ A range of evidence now shows that the very rapid growth of income inequality experienced in the 1980s halted after the start of the 1990s. Indeed there was a period after 1992 when those with the lowest incomes were catching up on those with higher incomes. While this partly reflected very low overall household income growth in the initial recovery from recession, it also reflected positive features at the bottom – falling unemployment, abolition of the Poll Tax, and some growth in the lowest earnings. Nonetheless, this only reversed previous trends to a small extent: inequality and relative poverty remained higher in the UK in the mid-1990s than throughout the forty years from the late 1940s, and the most recent data suggest that inequality had risen again by 1996. As Howard Glennerster discusses below, work within the Centre will monitor social policy initiatives of the new Government, including their effects on poverty and inequality.

In both academic and policy-making terms, however, the most exciting recent developments have come in thinking about income distribution from a dynamic perspective, and much of our work in this area focuses on understanding income mobility, both in descriptive terms, and modelling and analysing the processes at work. Christian Schluter's recent work described in the box illustrates this well, using panel data from Germany, the USA and the UK to compare mobility patterns in the 1980s and 1990s.

This area of research is in many ways new in the UK, as panel data on incomes have been relatively sparse, and techniques are still developing. In a forthcoming paper² Frank Cowell and Christian Schluter explore the ways in which different mobility measures may be biased if the data on which they are based are contaminated with errors in various ways. Many of the straightforward measures in use turn out not to be robust in the face of such "dirty data". They conclude that measures derived in a two stage process – with initial sorting into quantile groups (like successive tenths or hundredths of the distribution) – are more likely to be robust.

As an example of this kind of approach, we have been exploring ways of characterising individuals' income trajectories over the first four years of data from

the British Household Panel Survey.³ Depending on one's prior expectations, the survey has shown what might be thought substantial movement in income positions from year to year. However, much of this movement is comparatively short-range, and if data from several years are taken together, many apparent "escapes" from low income are reversed. As others have observed, it is important in analytical and policy terms to distinguish between the persistently poor, the recurrently poor, and those for whom low income is transitory. However, doing so does little to reduce the scale of the problems about which one is concerned: less than a quarter of low income observations in the first four years of BHPS come from people following trajectories which might be considered less problematic, for instance an isolated dip into low income from a generally more favourable position. Conversely, there are others who are apparently out of poverty in a single snapshot, but this is only a temporary flash in the pan.

Further work in the Centre is trying to establish the factors which matter most in determining which courses people's incomes follow. In an innovative approach, Simon Burgess and Carol Propper have been developing a framework for modelling the development of incomes over time, allowing for the development both of income sources like earnings and of household structure (including fertility and partnership formation and dissolution).⁴ They apply this framework to data on young women in the USA in the period 1979-91 (from the National Longitudinal Survey of Youth) to examine what determines poverty rates over time. This yields a number of new insights, including the difference in relative importance of particular initial factors in early adulthood, with education proving to have a very strong enduring effect on later poverty rates. Other favourable initial circumstances – such as being single, in work, and without a child at age 19 – do reduce later poverty rates, with declining but still strong effects ten years later. In general, however, it is later *changes* in circumstances – partnership formations and dissolution – which matter most in the long run.

¹ *Income and Wealth: The latest evidence* by John Hills, Joseph Rowntree Foundation.

² *Measuring Income Mobility with Dirty Data* by Frank Cowell and Christian Schluter, CASEpaper 19.

³ "Does income mobility mean that we do not need to worry about poverty?" by John Hills in CASEpaper 4, *Exclusion, Unemployment and Opportunity*, and "Policy implications of new data on income mobility" by Karen Gardiner and John Hills, forthcoming in *Economic Journal Features*.

⁴ *An Economic Model of Household Income Dynamics, with an Application to Poverty Dynamics among American Women* by Simon Burgess and Carol Propper, CASEpaper 9.

Comparing income mobility in Germany, the US and the UK

Christian Schluter

This paper is about the dynamics of personal income in Germany and the US in the 1980s and 1990s and the UK in the 1990s. In contrast to studies which have looked at “snapshots” of income distributions, we pursue a “movie-camera” approach to the comparison, drawing on data sources that provide histories of individuals’ incomes. Cross-sectional snapshots record the changing shape of the income distribution but are uninformative about the extent to which people move up or down the income ladder. We examine both cross-sectional shape dynamics and intra-distributional mobility in turn.

In Germany, the contrast between cross-sectional and longitudinal perspectives is strong since stable cross-sectional distributions conceal substantial movements beneath the surface. The common wisdom about Germany as a country in stasis is thus mistaken. Both the US and, more modestly, the UK in the early 1990s, exhibit significant changes in the shape of their cross-sectional income distributions. Welfare gains and losses over the business cycles in the two countries were unequally distributed, whilst the economic expansion in Germany led, at least initially, to more equal distributions. Distributional rankings in the US and the UK are either ambiguous or indicate a rise in inequality.

The conventional approach to examining intra-distributional mobility is to use a mobility index. Surprisingly and contrary to common wisdom, Germany is often deemed a more mobile society than the US according to such measures. However, on closer inspection, this result is driven entirely by a single income group. As the figure shows, people in the lowest income group - the poor - in Germany are substantially more mobile than in the US, and this cannot be off-set by the greater mobility of all the other income groups in the US.

Insert figure

A different method – “stochastic kernels” - is used to depict income profiles directly. We find that the chances of income changes have, over time, “tilted” in the US: higher income groups benefit from increased chances of an income rise, whilst the lower income groups face an increased chance of still further losses, aggravating the process of growing inequality. In the UK, mobility fell across all income groups in the early 1990s. Changes in German income mobility were small.

For further details, see CASEpaper 8, by Christian Schluter, *Income Dynamics in Germany, the USA and the UK*.

Investigating the role of social welfare institutions including education, social security and private welfare arrangements in preventing exclusion (or failing to do so)

Howard Glennerster

This strand continues the tradition of the old LSE Welfare State Programme in focusing on issues that have to do with trends and priorities in social spending and its outcomes as well as those of institutional policy design. Though much of the work has been on the UK, we have given increasing emphasis to international comparative work.

In April we published a new edition of *The State of Welfare*¹. This was a major team exercise. The volume contains the only consistent social spending series in real and volume terms available outside government as well as a summary of major policy changes over the past twenty-five years and attempts to measure their outcomes. The book challenges stereotypes of both left and right. There was neither a “rolling back” of the welfare state after 1979, nor a system exploding out of control. The story was one of frustrated rising expectations and rising demands – with a lid on the budget. A paper by John Hills on the social policies of the new Labour Government extends the analysis.² It draws out the key themes which have emerged since May 1997: tight public spending constraints, but a significant reallocation to social programmes; the dominance of the Treasury in making social policy; the centrality of promoting work in the major initiatives; and the patchwork of measures aimed at reducing inequality and exclusion. The visit by Professor William Julius Wilson from Harvard to the Centre in the summer allowed us to hold a public debate on welfare reform and the lessons – good and bad – which can be drawn from US experience. In the debate it was striking how close the parallels were between the Clinton administration’s *original* reform proposals (not those actually enacted in the US) and the current direction of policy in the UK. A report of the conference will be published shortly.

More specifically, work in the Centre has concentrated on a number of themes at the heart of the current welfare debate. One is the changing balance between public and private forms of welfare here and abroad. A project funded by the Joseph Rowntree Foundation on the boundaries between public and private welfare has resulted in a new conceptualisation of this apparently simple boundary line³. Quite apart from the distinction between public and private finance and public and private provision, this work has shown the importance of a third dimension – the extent of the consumer’s decision-making power over service delivery. This turns on the question of agency and exit power. Building on this conceptual work the project has mapped the changing contribution of the private sector since the 1970s, and the characteristics of those who use ‘private welfare’. A full report has been completed which will be published in the winter.

The same theme has been pursued in a very different context – the East Asian economies – by our Toyota Research Officer, Didier Jacobs. He has undertaken a detailed review of welfare spending and income distribution in Japan, Korea, Taiwan,

Hong Kong and Singapore. This has looked at the importance of firm based welfare and family based welfare in these economies (see box). More in-depth work on household data sets and income distribution is the next stage of this project.

Another central part of current policy concerns welfare to work issues. Karen Gardiner reviewed all the available evaluations of UK schemes in her 1997 Joseph Rowntree Foundation report *Bridges from Welfare to Work*, and has been following up that work as new Government proposals emerge.⁴ Martin Evans has been following this up by looking at organisational issues related to the same theme internationally. He has begun a project funded by the Nuffield Foundation which is focussing on problems of inter-service collaboration – or the lack of it – which prevent such schemes working well especially at the local level. This involves comparisons with systems in other countries to assess how and how far they have successfully overcome these obstacles.

Incomes of the elderly and pensions policy has been the focus of work by one of our research students, Phil Agulnik. His PhD involves modelling various pensions reforms. As a spin-off he and Julian Le Grand produced evidence for the Pensions Review investigating the effects of changing the form of tax relief private pensions receive.⁵

In terms of welfare service delivery, we have been evaluating the varied systems of service funding arrangements which rely on formula funding of one kind or another. A great deal of work has been done on each discrete service formula. Almost no one has previously looked across the service boundaries and compared their interactions and common issues that arise. It became clear that this was true not only of academics but also the case within government, as we found when we pulled together all the Whitehall experts in one room last year. The final report of this project will be published next year – we hope as a book.

Finally, members of the team have contributed to public discussion about social policy reforms in the press and in evidence given to the array of official reviews which have marked the last year, including the Royal Commission on Long Term Care, the Pensions Review, the New Deal Task Force, the Comprehensive Spending Review, and the Independent Inquiry into Inequalities in Health. On a more general level, the social policy reforms of the new Government have been vigorously debated both inside and outside the Centre. While David Piachaud was a leading member of the “54 Professors” who wrote in the *Financial Times* criticising the Government for failing to increase social security benefits⁶, Julian Le Grand and I took a different line, arguing in favour of preserving resources to assist welfare reform rather than immediate increases in all benefits. With many aspects of the welfare state still under review and other reforms in their early stages, the work of CASE will continue to inform all sides of this and other welfare debates.

1. *The State of Welfare: The economics of social spending*, edited by Howard Glennerster and John Hills, Oxford University Press (with a summary in CASEbrief 5).
2. *Thatcherism, New Labour and the Welfare State*, by John Hills, CASEpaper 13.
3. *Boundaries between Public and Private Welfare*, by Tania Burchardt, CASEpaper 2.

4. 'Getting welfare to work: The experience of welfare to work prior to the New Deal', by Karen Gardiner, *New Economy*, Vol.15, No.1.
5. *Tax Relief and Partnership Pensions* by Julian Le Grand and Phil Agulnik, CASEpaper 5.
6. See also 'The prospects for poverty' by David Piachaud, *New Economy*, March 1998.

Social welfare and income distribution in East Asia

Didier Jacobs

“Light” welfare states were perceived by some as one source of East Asian economic dynamism. This study examines the social welfare systems of five East Asian countries, namely Japan, Korea, Taiwan, Hong Kong and Singapore and the challenges they face after the financial crisis. It analyses the overall costs of state welfare and its impact on income distribution. The analysis is based on both aggregate data and a programme-by-programme review of their welfare states. Private welfare is also studied in two ways. First, it is argued that some welfare programmes are characterised by a mix of public and private interventions, along the three dimensions of provision, finance and decision. Second, the paper explores the welfare roles played by private actors alone, namely enterprises and families.

Insert diagram

The main conclusions include:

- ◆ Currently at around 5% of GDP, Hong Kong and Singapore’s public welfare expenditures will remain very low as long as they continue to rely mainly upon privately financed welfare programmes.
- ◆ Currently at around 10% of GDP, Korea and Taiwan’s public welfare expenditures will grow significantly in the coming years as their populations age, their old age pension programmes mature and their various insurance schemes are extended to marginal occupational groups.
- ◆ Currently at around 16% of GDP, Japan’s public expenditures will also grow significantly as Japan’s population, already as old as that of most Western countries, is projected to become one of the world’s oldest by 2025.
- ◆ Japan’s ageing problem is compounded by the weakening of the family as a provider of welfare, which will put an extra burden on her welfare state.
- ◆ Japan and Korea’s enterprises are now challenged in their chief welfare role, namely securing employment, which will also put an extra burden on their welfare states.
- ◆ On an income inequality scale, Japan ranks between most continental European countries and the UK, together with Korea and Taiwan. Income in Singapore and Hong Kong is even more unequally distributed than in the UK.
- ◆ Public transfers contribute little to income equality in East Asian countries. The main income-equalising factor in East Asia is the very equal distribution of work across households. This is also put under stress by the weakening of enterprise and family welfare, respectively by rising unemployment and decreasing income pooling inside the family.

For further details see CASEpaper 10, by Didier Jacobs, *East Asian Social Welfare: A comparative analysis including private welfare* (with a summary in CASEbrief 7).

Understanding the factors which enable successful coping with changes in family behaviour and the reasons for and effects of international differences in family, parenthood and partnership behaviour

Kathleen Kiernan

The research in this area has included extensive analyses under the following themes: family disruption; the transmission of social exclusion; and lessons from other nations. During the 1990s lone mothers reached the top of the political agenda, viewed as both a drain on the public purse and a moral threat. How did we get to this position? Hilary Land, Jane Lewis and I address this issue in a new book¹ via an examination of the changing demography of lone motherhood, the wider context in terms of ideas about the role of marriage in society and the ways lone mothers have been treated with regard to housing, social security and employment. The study concludes that there is little possibility of putting the genie back in the bottle in terms of reducing the number of lone mothers – efforts to do so by reducing public expenditure on them may be effective, but only at the expense of the children involved. Instead, we urge policy-makers to change focus again, and pay more attention to investing in children.

In related work completed during the year², we used data from cross-sectional (Family Resources Survey) and longitudinal surveys (British Household Panel Survey and the National Child Development Study) to examine two questions: what does the currently divorced population look like; and who are more likely to divorce (including breakdown of cohabitation)? The study shows that those currently divorced are more likely to be unemployed, rely on state benefits, and be disabled than the married population. The same factors with financial difficulties, are also precursors of divorce. The deprived are more at risk of divorce, while divorce may compound deprivation. Men and women with initially lower psychological well-being were more likely to divorce in the ensuing years. The analysis of early life experiences showed that emotional problems were also important signposts for later partnership breakdown. First cohabiting unions which led to marriage were no more likely to break down than those which began as a marriage. But the earlier and younger a first partnership the more likely it was to break down for both groups.

Parental divorce in childhood is associated with a greater likelihood of partnership breakdown in adulthood and more frequent cohabitation. Additionally, in a recent comparative analysis of data from fourteen European countries we have shown that children who experience parental divorce are more likely to cohabit and this is the case in Western and Eastern European countries and in countries where divorce rates are low such as Italy and Spain. Children who experience parental divorce may be more reluctant to commit to marriage or alternatively they may spend longer searching for a marriage partner than those brought up with both parents.

Parental divorce during childhood can have a negative effect on adult lives, but some difficulties also relate to personal and family circumstances that precede the break up. In a study using longitudinal data on 33-year old adults from the National Child Development Study and funded by the Joseph Rowntree Foundation, we compared the economic and family situations of those from divorced backgrounds with those for their contemporaries raised by both parents³. The study showed that pre-divorce factors, especially financial hardship, played an important part in explaining the increased odds that children whose parents divorced would lack qualifications, be unemployed or be living in social housing as adults. Pre-divorce circumstances were less influential in accounting for why children of divorce differed in their personal relationships and parenthood behaviour in adulthood.

In a further study using NCDS data, John Hobcraft carried out an extensive analysis of the links between childhood poverty, family disruption and contact with the police, and outcomes in adulthood (see box). In parallel work, Simon Burgess and Carol Propper used US panel data to show that alcohol and soft drug consumption in adolescence have no apparent deleterious effects on economic prospects in later life⁴. In contrast, hard drug use and violent behaviour are both associated with lower earnings levels and earnings growth.

The next phase of work in this strand will include detailed comparative work using surveys from a range of industrialised countries to examine differences in family patterns, particularly in young parenthood.

As with other parts of the Centre's work, the comparative perspective is very important. Whilst visiting the Centre, Sara McLanahan and Irwin Garfinkel continued their work on fathers⁵. Their research highlights the importance of expanding our perspective on non-resident fathers via an understanding of their capacities and circumstances, and giving recognition to their needs, which is regarded as essential for the design of effective future policies. Jane Waldfogel (currently spending a year within the Centre) and colleagues examined the effects of maternity leave coverage on women's employment after childbirth in the United States, Britain and Japan⁶. The results suggest that in these three countries, which only had limited maternity leave coverage until very recently, employment after childbirth is likely to increase in the future.

1. *Lone Motherhood in Twentieth-Century Britain: from footnote to front page*, by Kathleen Kiernan, Hilary Land and Jane Lewis, Oxford University Press.
2. *The Divorced and who Divorces?*, by Kathleen Kiernan and Ganka Mueller, CASEpaper 7.
3. *The Legacy of Parental Divorce*, by Kathleen Kiernan, CASEpaper 1.
4. *Early Health Related Behaviours and their Impact on Later Life Chances*, by Simon Burgess and Carol Propper, CASEpaper 6.
5. *Father under Fire: The revolution in child support enforcement in the USA*, by Irwin Garfinkel, Sara McLanahan, Daniel Meyer and Judith Seltzer, CASEpaper 14.
6. *Maternity Leave and Women's Employment after Childbirth*, by Jane Waldfogel, Yoshio Higuchi and Masahiro Abe, CASEpaper 3.

Divorce, crime, poverty and the transmission of social exclusion

John Hobcraft

This study uses data from the National Child Development Study to examine how experiences during childhood are linked to a wide variety of outcomes in adulthood. A cluster of childhood experiences (poverty, family disruption, and contact with the police) is given specific attention. One of the main goals is to examine the extent to which social exclusion and disadvantage are transmitted across generations and across the life-course.

Three groups of variables are examined separately for men and women:

- ◆ ‘focal’ variables, which summarise childhood experience of family disruption, of poverty, and contact with the police.
- ◆ ‘control’ variables, which summarise childhood background and experiences on: social class of origin, social class during childhood, housing tenure, father’s and mother’s interest in schooling, three personality attributes (‘aggression’, ‘anxiety’, and ‘restlessness’), and educational test scores.
- ◆ adult outcomes by age 33: *demographic* (early parenthood, extra-marital births, and three or more co-residential partnerships); *psychological* (malaise); *welfare position* (social housing, receipt of non-universal benefits, and homelessness); *educational qualifications* (none, and degree-equivalent); and *economic* (high and low income, and male unemployment).

Preliminary analysis of the focal variables highlights powerful interconnections in experiences by age 16:

- ◆ 44% of the poorest boys had contact with the police by age 16 (13% for the non-poor).
- ◆ 47% of children with divorced lone-parents experienced childhood poverty (8% in intact two-parent families).

Among the more important findings are:

- ◆ Frequent life-course and intergenerational continuities in the transmission of social exclusion:
 - Anxious children experience more malaise as adults
 - Social housing is more common if parent lived in local authority housing
 - Poor children have lower income as adults
 - Parental interest in schooling is a powerful predictor of educational success
- ◆ Social and parental factors (parental interest in schooling and family disruption) are more related to adult exclusion for females and external and structural factors (social class and housing tenure) more related to exclusion for males. Early parenthood, extra-marital births, and receipt of benefits are examples.
- ◆ Family disruption is most clearly related to demographic outcomes:

- Children born out-of-wedlock are more than twice as likely to have extra-marital births
- Multiple partnerships are over three times as frequent for men whose parents divorced
- Boys with step-parents are nearly three times as likely to be homeless between 23 and 33
- ◆ Care/fostering is associated with devastating effects on most adult outcomes for women
- ◆ Educational test scores are powerful predictors of a wide range of adult outcomes:
 - A three-fold difference in the incidence of early parenthood
 - A doubling of malaise
 - A three-fold difference in social housing
 - A four-fold difference in low male earnings
- ◆ The importance of father's interest in schooling for both sexes, with mother's interest proving more important for girls.
- ◆ The five most powerful and consistent childhood predictors of adult outcomes include all three of the focal variables (childhood poverty, family disruption, and contact with the police), along with educational test scores and father's interest in schooling.

For further details see CASEpaper 15 by John Hobcraft, *Intergenerational and Life Course Transmission of Social Exclusion: Influences of childhood poverty, family disruption and contact with the police.*

Understanding the dynamics of area decline and regeneration, the effects of area on the life chances of those living in poor areas, and the effectiveness and cost of area-based government policies

Anne Power

Anyone who lives and works in modern cities is aware of the neighbourhoods to be avoided. The problems vary greatly in intensity, between cities and between problematic areas, but the pattern is familiar – low income, dirt, poor shops and services, family breakdown, threatening behaviour, crime, fear of violence. There is a sense of weak protection due to the obvious social pressures. Normal controls do not appear to operate. People assume that their family would be damaged or find life more difficult if they lived in such an area.

It is common knowledge that such areas exist and they are known by name. There may be one such area or several areas in a city or town; they may be joined up or scattered; they may be council-owned estates or rows of private housing, or a mixture of both. Residents may all be white or the population may be racially mixed. The area may be known as a ‘black’ or ‘Asian’ area. Areas have reputations; they have atmosphere; they have a ‘feel’ which people are sensitive to.

There are two problems with basing our views of area problems on such ‘common knowledge’. Firstly, much of an area’s assumed character and make-up is unofficial – not based on recorded or documented knowledge. It is not even always articulated publicly. In that sense areas are often spoken of and treated as personalities rather than as physical and geographical constructs. There may be many false perceptions.

Secondly, areas are often viewed very differently by the residents within them, compared with outsiders. While some of the problems may be objectively recognised – such as dirt on the streets or youth gangs on street corners or recorded crime – others, such as fear or negative social relations, may simply not exist for people who are familiar with the area, feel a sense of belonging and like their home. But people within the area may be blinded by familiarity, blunted, have low aspirations or simply have lost hope. Some areas are literally being abandoned by other residents, an issue we have been exploring in depth during the year in a study for the Joseph Rowntree Foundation.¹

Yet it remains true that some areas have conspicuously more problems than others. We have identified 150 areas – some housing as few as 2000 people, some with 250,000 people – where problems are extremely concentrated². For example, over three times the average proportion of households in these areas have no one in work, studying or on a government training scheme. Crudely this means **at least** three times the poverty of other areas. We want to understand the implications of this.

What we are grappling with is whether the problems of poor areas are stuck – something that cannot be cured or strongly resists cures – or whether the problems can be shifted and resolved with certain external interventions. If so, we want to

know what those interventions are – an issue given recent policy prominence by the report of the Social Exclusion Unit on tackling difficult estates.³

We are also trying to understand the interaction of area problems and the people who live there. Do area problems make ‘people problems’ worse? Is it harder for poor people to survive and cope if they have to live in a poor area? Or are area problems simply the sum of the problems residents have in their lives and make-up anyway? A similar question was posed a hundred years ago by Lord Salisbury when he challenged the Royal Commission on the Housing of the Working Classes to prove that ‘the pig made the sty’ rather than, as he believed, ‘the sty made the pig’. In other words, are area problems a **cause** of people’s poverty? Do areas make poverty problems worse? Do areas make social exclusion worse?

There is considerable experience in Britain and Europe of tackling area problems, in the hope of building greater cohesion⁴. While there are many sceptics, and many critics of intervention, there is evidence that areas both recover as well as decline, and evidence that intervention sometimes works but also fails.

Over the next five years we are tracking 12 areas in detail, from the 150 identified, observing, recording and understanding what works and what does not, uncovering positive features of disadvantaged areas as well as defining their problems.

Alongside this exploration of city neighbourhoods, we are planning to work with up to 200 resident families on understanding their experience, views and progress over time. If successful, this will help us answer questions about the impact of areas on people’s lives as well as the other way round. It will help explain how people tackle and overcome problems as well as sometimes getting swamped by them.

The importance of area problems is not in doubt. One in twenty people live in the areas of highly concentrated poverty and joblessness we have identified and are tracking, almost all of them part of extremely problematic city neighbourhoods. The cost to the wider society as well as to the residents is huge. We know, for example, that in extreme disadvantaged areas there is double the level of truancy, four times the concentration of lone parents, half the rate of GCSE passes at grades A to C, triple the unemployment rate, four times the crime rate, compared with the national average. These are ‘community costs’ that impact on the wider society, quite apart from the direct public spending which goes into them, the measurement of which was the focus of a major report to which we contributed during the year (see box).

But there are also the ‘reputation costs’ which we have described. The ‘whispered stigma’ of problematic neighbourhoods affects cities as a whole, leading to the incremental polarisation of urban society - between deprived and non-deprived areas. It is the aim of our analysis of social exclusion based on areas to shed light on this problem, to counter whispered reputations with hard facts, and to uncover the policies, strategies and supports that can change the direction of area decline.

1. *Area Abandonment and Low Demand*, by Katharine Mumford and Anne Power, forthcoming.

2. 'Poverty, social exclusion and place: studying the area bases of social exclusion', Howard Glennerster, Phillip Noden and Anne Power, paper presented at Annual Conference of Social Policy Association, Lincoln, July 1998.
3. For evidence from both academics and practitioners given at a conference organised for the Unit by CASE, see a forthcoming CASEREport, *Tackling Difficult Estates*, by Liz Richardson.
4. 'Marginal estates in Europe', by Anne Power, *Journal of European Social Policy* (forthcoming).

Where does government spending go?

Martin Evans

The British government spends money on everyone in the country, but how much is spent in deprived areas? We know a significant amount about how much is spent on the welfare state and who benefits at the national level, but very little about profiles of spending in small areas. In a pilot study for the Department of Environment, Transport and the Regions we (as part of a team with Heriot Watt University and the London Research Centre) examined how public spending flows into local and small areas can be measured and analyse the patterns of spending which are revealed, particularly between deprived and other areas.

The study shows that estimating public spending totals at small area level is feasible, is difficult (but becomes easier as computer data-bases spread), and has limitations. We examine spending across government departments in three urban areas, each of which has a high incidence of deprivation. As the figure illustrates, spending overall is moderately in favour of deprived wards, but this picture differs markedly between different spending programmes and client groups. Simply reporting these findings may challenge some perceptions and assumptions about where the money is currently going. They certainly raise issues of whether the mix of spending is optimal and about whether it is delivered in the best way (it is hoped to explore the links between spending and outcomes in further work for DETR).

Insert diagram

There is much talk about "transforming" spending on social security into spending that is an investment in education or health. However, people currently dependent on state benefit income still have to live and the New Deal demonstrates some of the additional costs of moving into employment. Currently, as our figures show, many deprived areas are heavily dependent on such benefit spending, and removing or reducing it might weaken their fragile economies further.

Identifying the local budget flows and cross-departmental costs in "Zones" may help to address some of the problems caused by many years of what has been described as 'benefit warehousing' - storing the problem in the cheapest (short-term) way while

waiting for the market to restore economic growth and job creation. We have shown that in 1995/6, after several years of national economic recovery, in the deprived wards in all the areas studied, but most obviously Liverpool, the level of dependence on “dole” in all its forms remained high. But we also showed that local authority spending programmes tended to target deprived wards more than central government programmes taken as a whole, and suggested that there were probably examples (e.g. community care) where locally-based needs assessment and service planning could lead to more effective targeting.

We also know that many of “the poor” do not live in very deprived areas. Our results illustrate some of the public expenditure implications of this, together with the fact that many public services are not specifically targeted on the poor. Any "holistic approach" must mean more than just a re-juggling of services to the poor or to deprived areas, but is likely to involve a reconsideration of the nature, purpose and delivery of services more broadly.

[put in diagram]

For further details see *Where Does Public Expenditure go?* by Glen Bramley, Martin Evans *et al* published by The Stationery Office for the Department of Environment, Transport and the Regions.

Analysis of the concept of social exclusion and contributions to the development of policies to combat it and promote inclusion

Julian Le Grand

Initial work on this strand of the Centre's research has taken a number of forms. First, we have organised a series of seminars with leading thinkers on theoretical and conceptual aspects of social exclusion. These included presentations by Professor Brian Barry of LSE and Columbia on social exclusion and the strategy of equality (see box); Professor Lord Plant on citizenship; Professor Albert Weale of the University of Essex on political rights and social exclusion; Dr Katherine Duffy on continental European thinking on social exclusion ; and Professor John Gray of the LSE on the relationship between equality and inclusion. A new series of seminars for the next year will include contributions from Professor Jose Harris of the University of Oxford, Bill Jordan of the University of Exeter, and David Halpern of the University of Cambridge.

Second, we have begun to explore definitions of social exclusion and their application to Britain in the early 1990s. This has been informed by Brian Barry's work described in the box and that of Professor A.B. Atkinson¹. Atkinson points to three key features of the concept:

- Relativity: people are excluded from a particular society;
- Agency: exclusion implies an act with an agent, or agents; and
- Dynamics: prospects for the future matter, as well as current states.

A set of conditions which I would apply are that an individual is socially excluded if (a) he or she is geographically resident in a society but (b) for reasons beyond his or her control he or she cannot participate in the normal activities of citizens in that society and (c) he or she would like to so participate. Condition (a) is necessary so as not to describe as socially excluded those who happen to live within the geographical confines of another society, but who nonetheless meet conditions (b) and (c). Conditions (b) and (c) address the question of agency. Condition (b) implies that an individual who *voluntarily* withdraws him or herself from society is not socially excluded, while condition (c) implies that a resident who does not participate in a society's normal activities because of factors beyond his or her control, but who does not mind (but may be 'socially isolated' in Brian Barry's terminology), is also not socially excluded. All of these conditions are controversial and are subject to continuing debate within the Centre and outside.

There is also considerable controversy as to what constitutes 'participating in normal activities'. In current empirical work using the BHPS we have taken this as including consumption, employment, social and political activities, a quartet also discussed by Tania Burchardt in evidence to the Glasgow Regeneration Alliance Social Inclusion Inquiry², and by her and John Hills in a paper on financial exclusion for the Association of British Insurers. They draw attention to the importance of not being able to access legal and financial systems, as well as the more conventional forms of

exclusion, and offer some policy advice as to how this kind of exclusion might be corrected.

Martin Evans has been addressing conceptual issues in an international context.⁴ He argues that the theoretical discussion of different policy assumptions between social exclusion and poverty should always be strongly grounded in their policy context. A comparison of the policy contexts of French 'social exclusion' and British 'poverty' using social assistance as a template shows that there are fundamental similarities as well as paradigmatic differences between the two approaches.

Finally, I have been continuing my own research on public policy and individual motivation, with special reference to welfare institutions. Welfare policies are often designed on the assumption that motivation is exogenous: that is, the balance between, for instance, altruistic and selfish motivation is unaffected by the policy structures individuals face. Yet there is considerable evidence from economics, social psychology and social policy that this is incorrect: that government actions can lead to individual inaction or selfishness, and, in an ironic counterpoint, that market mechanisms can also corrupt. This evidence and its implications are crucial to our understanding of the forces that lead to social exclusion and to policies for combating them. A book resulting from this work, *Knaves, Knights and Pawns: Public Policy and Individual Motivation*, is in preparation.

1. 'Social exclusion, poverty and unemployment' by A B Atkinson in *Exclusion, Employment and Opportunity*, edited by A B Atkinson and John Hills, CASEpaper 4.
2. 'Sizing up social exclusion in Glasgow and Scotland' by Tania Burchardt (CASE, mimeo).
3. 'Financial services and social exclusion' by Tania Burchardt and John Hills, *Insurance Trends*, July 1998.
4. 'Behind the rhetoric: The institutional basis of social exclusion' by Martin Evans, *IDS Bulletin*, January 1998.

Social inclusion, social isolation and the distribution of income

Brian Barry

In this paper I argue that it is useful to distinguish ‘social exclusion’ from ‘social isolation’, defining social isolation as the phenomenon of non-participation (of an individual or group) in a society’s mainstream institutions, while reserving ‘social exclusion’ for the subset of cases in which social isolation occurs for reasons that are beyond the control of those subject to it. First, it is likely that different causal processes are at work producing on the one hand social exclusion and on the other the voluntary social isolation of, for example, a religious community. Second, even if there are reasons for concern about both voluntary and involuntary social isolation, there are reasons for concern about social exclusion that do not apply to voluntary social isolation.

The familiar form of social exclusion affects those who are unable to participate in the institutions patronised by the majority. There can also, however, be exclusion of the majority by a minority who are in a position to opt out of the mainstream institutions: the epitome of this is the ‘gated community’. Social exclusion is a violation of the demands of social justice in two ways: it conflicts with equality of opportunity and is associated with an inability to participate effectively in politics. An alternative account of what is wrong with social exclusion is that it undermines social solidarity. Voluntary social exclusion has the same effect, but is less likely to have such adverse consequences. In particular, the logic of competitive electoral politics is liable to lead to public policies that discriminate against stigmatised minorities.

The relationship between social exclusion and the distribution of income is not the same in all societies because it depends on the extent of commodification and the relative costs of public and private services. However, for a society such as that of Britain, I argue that it seems plausible that to avoid the social exclusion of a minority, it is necessary for nobody to have less than half the median income, and that to avoid the social exclusion of the majority it is necessary for only a few to have more than three times the median income.

For further details see CASEpaper 12, by Brian Barry, *Social Exclusion, Social Isolation and the Distribution of Income*.

APPENDIX 1: RESEARCH AND RESEARCH STAFF

Income mobility, poverty and economic exclusion

Frank Cowell was on special leave for CASE in the Lent term working on 'robust' measures of income distribution, including joint work with **Chris Schluter** (from Bristol University) on how conventional and unconventional measures of income mobility may be affected by data contamination. This suggests that so-called 'stability' indices are not robust; measures based on quantile groupings of the distribution are robust. This is to be published as a CASEpaper shortly.

Karen Gardiner is carrying out research for CASE on analysing income mobility and the trajectories which people's incomes follow over time (see CASEpaper 4 for some early results) using BHPS data.

John Hills examined recent trends in and evidence on income distribution (with **Karen Gardiner** and with research assistance from **Sara Awan**), with results published in CASEpaper 4 and in *Income and Wealth: The latest evidence*.

Carol Propper and **Simon Burgess** (from Bristol University) have been working on new ways of analysing income mobility, applying their methods to US data (see CASEpaper 9). They have also been using US data to examine links between behaviour like under-age drinking, consumption of illegal drugs and violent behaviour on later labour market performance of young men. They find that use of hard (but not soft) drugs and violent behaviour lower later earnings and labour market participation (CASEpaper 6).

Chris Schluter has been comparing income dynamics in Britain, Germany and the USA using comparable datasets (see CASEpaper 8). Although Britain and the USA show more distributional change, this work rejects the idea that Germany is a country in stasis: stable cross-section distributions conceal substantial movements below the surface.

Social welfare institutions and private welfare arrangements

Phil Agulnik continued work on his PhD thesis on pension reform. He and **Julian Le Grand** developed a proposal for 'partnership pensions' involving a reform of the current system of tax relief (see CASEpaper 5).

Tania Burchardt, **Carol Propper** and **John Hills** completed their work on 'private welfare' funded by the Joseph Rowntree Foundation (see CASEpaper 2) examining the scope of private provision across education, health, housing, social security and personal social services. The report of this research will be published in the Autumn and a number of articles and papers will follow. Their work on private welfare insurance has been part of the debates over future policy towards long-term care funding and mortgage protection.

Tania Burchardt, John Hills and David Piachaud have started a new project funded by the Joseph Rowntree Foundation investigating the factors and processes which affect disabled people's chances of finding and retaining employment. This is designed to inform the debate around disability benefits, participation in employment and social inclusion.

Martin Evans completed joint work on a study financed by the Department of Transport, Environment and the Regions on measuring public expenditure flows being spent on particular areas at ward level. It is hoped to extend this work in a new project for DETR in the coming year. He is now working on a project funded by the Nuffield Foundation comparing the claimant definitions underlying access to active labour market programmes, childcare and the packaging of policy responses in Britain, the USA, Germany, France and the Netherlands.

Jane Falkingham has been examining the transition from a planned to a market economy in Kyrgystan, Azerbaijan and Kazakstan. The dramatic reduction in in-kind transfers (e.g. health, education, child care) has had a substantial impact on household living standards.

Karen Gardiner's work examining the evidence on results of 'welfare to work' initiatives which preceded the 'New Deal' attracted attention and follow-up activities inside and outside Government.

Ross Hendry is working with **Howard Glennerster, Tony Travers and John Hills** on an ESRC-financed project on the structure and effects of funding formulae for devolved public services in health, education and housing. Field visits have been made to five study areas, visiting schools, GPs, and social landlords. A book and various papers are in preparation.

John Hills, Howard Glennerster and David Piachaud had inputs into several of the projects within this strand, and into the public debate around the future of the welfare state, including publication of the second edition of *The State of Welfare*, involving several CASE members, and CASEpaper 13 by John Hills.

Didier Jacobs is the Toyota Research Officer, examining welfare systems and income inequality in five countries in East Asia. This project focuses on the interaction between the welfare state, enterprise and family welfare, and on the sustainability of that interaction (see CASEpaper 10). The next phase of work involves analysis of reasons for differences in income distribution using microdata for South Korea, Taiwan, and Japan. **Huck-ju Kwon** from Sung Kyun Kwan University, Korea, visited the Centre to assist with this project.

Family change, parenthood and partnership behaviour

Sarah Cheesbrough started working on her MPhil/PhD thesis within the Centre, examining the outcomes for children of family transition and diverse family structures. Using longitudinal and panel data, the research compares the experiences of successive cohorts through the changing social context of recent decades.

Irwin Garfinkel (Columbia) and **Sara McLanahan** (Princeton) were the Centre's first overseas visitors, working on completing an edited book on the US child support system, *Fathers Under Fire: The revolution in child support enforcement*. They also began work on a new study of unwed parents that follows nearly 5,000 families from the birth of the child up to age 4.

John Hobcraft spent a term of special leave within the Centre working on divorce, crime and poverty - their inter-relationships and long-term outcomes. Results from this were presented to the Population Association of America Meeting in Chicago, and the Harris School of Public Policy, University of Chicago, and will lead to a number of publications (see CASEpaper 15).

Kathleen Kiernan started work within the strand with analysis of the later effects of divorce on economic and demographic outcomes for children using NCDS data (see CASEpaper 1). Her co-edited book on *Lone Motherhood in the Twentieth Century* was published during the year. She and Ganka Mueller completed their work using cross-sectional and longitudinal data to examine who is currently divorced, the characteristics of those who subsequently divorce, and the childhood and family background associated with partnership disruption in adulthood (see CASEpaper 7). **Valerie Estaugh** has joined the Centre to work in this area.

Jane Waldfogel (Columbia) is visiting the Centre for a year from June 1998, working on a number of projects (see CASEpaper 3 for her work on maternity leave). Her book on *The Future of Child Protection*, resulting from an earlier visit to LSE, will be published in November 1998.

Community, area polarisation and regeneration

David Divine has joined the Centre to work with **Becky Tunstall**, **Anne Power** and **Liz Richardson** on a project examining ways of tackling housing management issues on large social housing estates. This research has been commissioned by the National Housing Federation, supported by the Housing Corporation and a number of housing associations, and will produce a guide to best practice.

David Downes provides a criminological perspective to the Centre's work. A new edition of his book with Paul Rock on *Understanding Deviance* was published by Oxford University Press.

Anthony Lee, Rebecca Tunstall and Anne Power completed a study of the transfer of council housing to a new 'local housing company' in West London. Such transfers deliver the potential of new investment and greater direct involvement of tenants in the management of their homes, but the process of transfer is long, intense and complex. **Anthony Lee** continues to work on his PhD thesis on transfers of council housing under the Large Scale Voluntary Transfer (LSVT) system, including case studies of twenty organisations.

Katharine Mumford worked on a Joseph Rowntree Foundation funded project with **Anne Power, Anthony Lee and Rebecca Tunstall** on incipient area abandonment, low housing demand and the challenge that these issues present for urban regeneration. A report will be completed later this year.

Philip Noden and Ruth Lupton have been working with **Anne Power** on understanding why different low-income areas and neighbourhoods follow particular trajectories of recovery or stagnation. Initial work has included analysis of area-based deprivation indices, work on selecting twelve contrasting case study areas, and exploratory visits to short-listed areas.

Megan Ravenhill started work on her MPhil/PhD thesis on homelessness, looking at the way homeless people are absorbed back into mainstream society and the way communities cope with ex-homeless people. She also carried out a literature review of longitudinal studies of families.

Liz Richardson has been working on a large training and community change project funded by the Gatsby Charitable Foundation based at the National Tenant Resource Centre, Trafford Hall, Chester. This is based on capacity building and skills development and involves organising training for community groups, establishing a self-help small grants programme for community initiatives, and monitoring of the initiatives. She also produced a report for the Social Exclusion Unit on difficult estates and front-line responses.

Rebecca Tunstall has been reviewing successful housing-based projects to reduce the risk of youth crime, school failure, drug misuse, school age pregnancy and low educational achievement for the Joseph Rowntree Foundation's 'Communities that Care' project. She continues work on her PhD thesis on tenant management organisations. She is also following up on earlier work in the most disadvantaged council estates for a book chapter on social exclusion.

William Julius Wilson (Harvard) visited the Centre during June and July. He gave a public lecture on "When Work Disappears: New implications for race and urban poverty in the global economy" (to be published as a CASEpaper). He also delivered the keynote paper at the CASE/LSE Housing seminar on "Welfare Reform: Learning from American mistakes?"

Exclusion and society

Tania Burchardt and **John Hills** prepared a paper for the Association of British Insurers on 'Financial Services and Social Exclusion', and **Tania Burchardt** prepared a paper for the Glasgow Regeneration Alliance Social Inclusion Inquiry on concepts and indicators of social exclusion.

Julian Le Grand and **Brian Barry** initiated the Centre's seminars on social exclusion, provoking a series of thoughtful contributions on the meaning and theoretical content of the concept. Brian Barry's own contribution on social exclusion and the distribution of income is published as CASEpaper 12.

Julian Le Grand's special leave within the Centre in the Lent term included: writing a book on the welfare state developing his ideas on human motivation and public policy: 'knights, knaves and pawns'; a project with **Tania Burchardt** on measuring the extent of social exclusion using BHPS data; his work with **Phil Agulnik** on partnership pensions; and work on partnership and the funding of long-term care.

Polly Vizard continued work on her PhD thesis, constructing an index of economic and social rights. She also carried out work on health expenditure statistics.

User fellows

The Centre asked government departments to make nominations for its first 'user fellows' during 1998. In view of the strong response we decided to award two fellowships this year, the second split between two candidates (visiting later in 1998). Our first user fellow was **Nigel Campbell** from HM Treasury who spent three months with CASE from May to August working on the decline in labour force participation by people in their 50s. The results will be published in a CASEpaper.

APPENDIX 2 PERFORMANCE INDICATORS 1997-98

A. PUBLICATIONS

(*) denotes that publication is largely attributable to work before October 1997.

A1. Books

- Evans, M (with G Bramley *et al*) (1998), *Where does Public Expenditure Go? Report of a pilot study to analyse the flows of public expenditure into local areas*, Research Report to DETR, TSO
- Glennerster, H and Hills, J (eds) (1998), *The State of Welfare: The economics of social spending* (second edition), Oxford University Press (*)
- Hills, J (1998), *Income and Wealth: The latest evidence*, Joseph Rowntree Foundation
- Kiernan, K, Land, H and Lewis, J (1998), *Lone-motherhood in the Twentieth Century: From footnote to front page*, Oxford University Press (*)

A2. Book chapters

- Evans, M (1998), 'Le pari de l'incitation au travail en Grande-Bretagne', in S Paugam (ed), *L'Europe face à la pauvreté: Les expériences nationales de revenu minimum*, Paris, La Documentation Française
- Falkingham, J (1997), 'Financial (in)security in later life', in M Bernard and J Phillips (eds), *The Social Policy of Old Age*, Centre for Policy on Ageing (*)
- Falkingham, J (1997), 'Who are the baby boomers: A demographic profile', in M Evandrou (ed), *Baby-boomers Ageing in the 21st Century*, Age Concern England (*)
- Gardiner, K (1997), 'A survey of income inequality over the last twenty years: How does the UK compare?', in Gottschalk, Gustafsson and Palmer (eds), *Changing Patterns in the Distribution of Economic Welfare: An international perspective*, Cambridge University Press (*)
- Gardiner, K (with A B Atkinson, V Lechene and H Sutherland) (1998), 'Comparing poverty rates across countries: A case study of France and the United Kingdom', in Jenkins, Kapteyn and Van Praag (eds), *The Distribution of Personal Welfare and Household Production*, Cambridge University Press (*)
- Glennerster, H (1997), 'Paying for welfare', in P Alcock, A Erskine, M May (eds.), *The Student's Companion to Social Policy*, Blackwells (*)
- Glennerster, H (1998), 'Social Policy and Welfare State: the British experience since 1945', *Public Policy and Children*, UNICEF Regional Office for Latin America (*)
- Glennerster, H (1998) 'Tackling poverty at its roots: Education' in C Oppenheim (ed.) *An Inclusive Society: Strategies for tackling poverty*, IPPR
- Hills, J (1997), 'The distribution of welfare', in P. Alcock, A. Erskine, M. May (eds.), *The Student's Companion to Social Policy*, Blackwells (*)

- Hills, J (1998), 'Die Zukunft des Wohlfahrtsstaates' in H Kastendiek, K Rohe and A Volle (eds.), *Laenderbericht Grossbritannien*, Bundeszentrale für Politische Bildung
- Kiernan, K (1997), 'Challenges to family studies and family policies in Europe', in W Lutz (ed.), *FAMSIM-Austria*, Vienna (*)
- Kiernan, K (1998), 'Family change: Issues and implications', in M David (ed.), *The Fragmenting Family: Does it matter?*, IEA Choice in Welfare Series No.44
- Le Grand, J (1998) 'Quasi-markets and social policy', *Public Policy and Children*, UNICEF Regional Office for Latin America (*)

A3. Refereed journal articles

- Burchardt, T and Hills, J (1998), 'From public to private: The case of mortgage payment insurance in Great Britain', *Housing Studies*, 13(3)
- Burgess, S and Propper C, (1998) 'Early health related behaviours and their impact on later life chances: Evidence from the US', *Health Economics*, August
- Cowell, F (with Y Amiel) (1997), 'The measurement of poverty: An experimental questionnaire investigation' *Empirical Economics* (*)
- Evans, M (1998), 'Behind the Rhetoric: The institutional basis of social exclusion', *IDS Bulletin*, January
- Falkingham, J (1998), 'Income in later life', *Reviews in Clinical Gerontology*, Vol.8 (*)
- Glennerster, H (with D Billis) (1998), 'Human services and the voluntary sector', *Journal of Social Policy*, 27(1) (*)
- Glennerster, H (with A Cohen and V Bovell) (1998), 'Alternatives to fundholding', *International Journal of Health Services*, 28(1) (*)
- Glennerster, H (1998), 'L'assistenza ai grandi anziani: soluzioni pubbliche e soluzioni private', *Prospettive Sociali e Sanitarie*, 5
- Noden, P (with A West, A Edge, M David and J Davies) (1998), 'Choices and expectations at primary and secondary stages in the state and private sectors', *Educational Studies*, 24(1) (*)
- Noden, P (with A West, M David and A Edge) (1998), 'Choices and destinations at transfer to secondary schools in London', *Journal of Education Policy*, 13(2) (*)
- Noden, P (with H Pennell and A West) (1998), 'School admissions: Increasing equity, accountability and transparency', *British Journal of Educational Studies*, 46(2) (*)

A4. Other Journal Articles

- Agulnik, P and Le Grand, J (1998), 'Partnership pensions versus compulsory pensions', *New Economy*, 5:3, September
- Burchardt, T (1997), 'New welfare or just expensive fare?', *New Economy*, December
- Burchardt, T and Hills, J (1997), 'Shifting boundaries: Social security and private insurance', *Benefits*, September/October (*)

- Burchardt, T and Hills, J (1998), 'Financial services and social exclusion', *Insurance Trends*, July
- Gardiner, K (1998), 'Getting welfare to work: The experience of welfare to work prior to the New Deal', *New Economy*, 5(1)
- Glennerster, H (1998), 'Solutions for long-term care', *New Economy*, 5(1)
- Piachaud, D (1998), 'The prospects for poverty', *New Economy*, 5(1), March

A5. Other publications

CASEpapers

CASE/1	Kathleen Kiernan	<i>The Legacy of Parental Divorce: Social, economic and demographic experiences in adulthood (*)</i>
CASE/2	Tania Burchardt	<i>Boundaries between Public and Private Welfare: A typology and map of services (*)</i>
CASE/3	Jane Waldfogel, Yoshio Higuchi and Masahiro Abe	<i>Maternity Leave Policies and Women's Employment after Childbirth: Evidence from the United States, Britain and Japan (*)</i>
CASE/4	A B Atkinson and John Hills (editors)	<i>Exclusion, Employment and Opportunity</i>
CASE/5	Julian Le Grand and Phil Agulnik	<i>Tax Relief and Partnership Pensions</i>
CASE/6	Simon Burgess and Carol Propper	<i>Early Health Related Behaviours and their Impact on Later Life Chances: Evidence from the US</i>
CASE/7	Kathleen Kiernan and Ganka Mueller	<i>The Divorced and Who Divorces?</i>
CASE/8	Christian Schluter	<i>Income Dynamics in Germany, the USA and the UK</i>
CASE/9	Simon Burgess and Carol Propper	<i>An Economic Model of Household Income Dynamics with an Application to Poverty Dynamics among American Women</i>
CASE/10	Didier Jacobs	<i>Social Welfare Systems in East Asia: A comparative analysis including private welfare</i>
CASE/11	Mark Kleinman	<i>Include Me Out? The new politics of place and poverty</i>
CASE/12	Brian Barry	<i>Social Exclusion, Social Isolation and the Distribution of Income</i>
CASE/13	John Hills	<i>Thatcherism, New Labour and the Welfare State</i>
CASE/14	Irwin Garfinkel, Sara McLanahan, Daniel Meyer and Judith Seltzer	<i>Fathers Under Fire: The revolution in child support enforcement in the USA</i>

Other CASE publications

CASEREport 1	<i>New Cycles of Disadvantage? Report of a conference organised by CASE on behalf of ESRC for HM Treasury, Anthony Lee and John Hills</i>
CASEbrief 1	Boundaries between public and private welfare
CASEbrief 2	<i>Maternity leave policies and women's employment after childbirth</i>
CASEbrief 3	<i>Exclusion, employment and opportunity</i>
CASEbrief 4	<i>Tax relief and partnership pensions</i>
CASEbrief 5	<i>The State of Welfare</i>
CASEbrief 6	<i>The Divorced and Who Divorces?</i>

CASEbrief 7

Social Welfare in East Asia: Low public spending but low income inequality?

CASEpapers, CASEbriefs and CASereports are available on the CASE website (URL: <http://sticerd.lse.ac.uk/case.htm>) together with information about our other activities.

Other publications

- Agulnik, P (1998), Review of 'Individual lifelong learning accounts' by Smith and Spurling, *Adults Learning*, 9(5), January
- Evans, M (with C O'Donoghue) (1998), 'Recasting safety nets: Reforming social assistance in Germany, Ireland and the United Kingdom', Microsimulation Unit Discussion Paper, Cambridge, September
- Hills, J (1998), 'Income and Wealth: The latest evidence', Joseph Rowntree Foundation *Findings*, March
- Kiernan, K (1998, Review of Simon Szreter, 'Fertility, Class and Gender in Great Britain, 1860 – 1940', *British Journal of Sociology*, Vol 49, No 1
- Le Grand, J (1997), 'Can the poor have stakes?', *Business Strategy Review*, vol.8
- Power, A, (1997), 'Raising the floor', *Prospect*, October
- Richardson, E (1997), *In the Loop*, report to the Trustees of the Gatsby Charitable Foundation

Forthcoming books

- Burchardt, T, Hills, J and Propper, C, *Private Welfare and Public Policy*, Joseph Rowntree Foundation
- Lee, A, Power, A and Tunstall, R, *Local Housing Companies: A new kind of partnership*, Housing Corporation

Forthcoming book chapters

- Agulnik, P, 'Pension reform in the UK: Privatisation or partnership', in *The UK Social Security and Welfare System* (to be published in Japanese by the National Institute of Population and Social Security Research, Tokyo)
- Burchardt, T and Hills, J 'Public expenditure and the public/private mix', in M Powell (ed.), *New Labour, New Welfare State?*, Policy Press
- Burgess, S and Propper, C, 'Poverty in Britain', in P Gregg and J Wadsworth (eds.), *The State of Working Britain*
- Gardiner, K, 'Inequalities in income and wealth', in I Anderson and D Sim (eds.), *Housing and Social Exclusion*, Chartered Institute of Housing
- Hills, J, 'Housing, tenure and international comparisons of income distribution' in M Kleinman, W Matznetter and M Stephens (eds.), *European Integration and Housing Policy*, Routledge (*)
- Hills, J, 'Thatcherism, New Labour and the Welfare State' in H Kastendiek and R Stinshoff (eds.) *New Labour: A Turning Point in British Politics?*

Kiernan, K, 'Lone-mother families in Europe' in K P Bierschock *et al* (eds.)
Living Arrangements and Family Structures: Facts and Norms, Leske and
Budrich Leverkusen, Germany

Forthcoming refereed journal articles

Agulnik, P and Le Grand, J, 'Tax relief and partnership pensions', *Fiscal Studies*

Burchardt, T and Propper, C, 'Does the UK have a private welfare class?', *Journal of Social Policy*

Gardiner, K and Hills, J, 'Policy Implications of new data on income mobility', *Economic Journal Features*

Kiernan, K and Cherlin A, 'Parental divorce and partnership dissolution in adulthood: evidence from a British birth cohort study', *Population Studies*

Kiernan, K 'Parenthood and Family Life in the United Kingdom', *Review of Population and Social Policy*

Power, A, 'Marginal estates in Europe', *Journal of European Social Policy*

B. EXTERNAL RELATIONS

B1. Membership of committees

- ◆ **T Burchardt:** Member of Advisory Groups for projects on ‘Owner occupation in old age’, and ‘Support for low-income mortgagors’, both funded by Joseph Rowntree Foundation.
- ◆ **M Evans:** Member of research advisory committee for ‘Mapping Food’, research project by E Dowler and others, London School of Hygiene and Tropical Medicine, funded by the Department of Health.
- ◆ **H Glennerster:** Member of the Secretary of State for Health’s Advisory Committee on resource allocation.
- ◆ **J Hills:** Adviser to DETR/DSS Comprehensive Spending Review of Housing; member, Joseph Rowntree Foundation Housing Research Committee.
- ◆ **K Kiernan:** UN ECE Fertility and Family Surveys Advisory Group, Geneva; DSS Steering Group on Step-families; Joseph Rowntree Foundation Advisory Committee on Non-marital Separation.
- ◆ **A Power:** member of Advisory Sounding Board for Hilary Armstrong MP, Minister of Housing; member of Urban Task Force, under John Prescott (Deputy Prime Minister), headed by Lord Rogers.
- ◆ **R Tunstall:** member of National Homeless Alliance Groundswell project steering group (self-help by homeless people); member of Landscape Foundation steering group.

B2. Membership of networks

Frank Cowell: European Commission TMR Network on Living Standards, Inequality and Taxation; Co-ordinator of ESF Network Risk Perceptions and Distributional Judgements.

Martin Evans: CERC Association (France).

Howard Glennerster: European Social Policy Network; ‘Social Exclusion in Europe’ network, co-ordinated by Amsterdam School for Social Science Research.

Jane Waldfogel: McArthur Network on Poverty and Inequality in Broader Perspective, Princeton and Harvard (with members from Britain).

B3. Overseas visitors (more than two days)

Dr Huck-ju Kwon (Sung Kyum Kwan University, Korea)

Professor William Julius Wilson (Harvard)

B4. Overseas visitors (more than 3 months)

Professor Irwin Garfinkel (Columbia)

Professor Sara McLanahan (Princeton)

Professor Jane Waldfogel (Columbia)

B5. Substantial advice and consultancy

P Agulnik: A Review of 'Policy in the Making' on Income and Security for Older People, Report for the Joseph Rowntree Foundation 1998.

S Burgess: Referee of grant applications for ESRC and for *Journal of Human Resources*, *Industrial and Labor Relations Review*, *Journal of Applied Economics*, *International Economic Review*, *Labour Economics*, *Oxford Economic Papers*, *Review of Economic Studies*, *Journal of Econometrics*, *Economic Journal*, *Journal of Labor Economics*, and *Review of Economics and Statistics*.

T Burchardt: Evidence to IPPR / ABI citizen's jury on genetic testing and insurance, Bristol, 18 November 1997; submission to Glasgow Regeneration Alliance Social Inclusion Inquiry.

M Evans: Evaluator for European Commission DGXII Targeted Social and Economic Research programme.

J Falkingham: Adviser to the government statistics office of Tajikistan (under the auspices of the World Bank and UNDP) on the design of a household survey to examine the extent and depth of poverty in the country.

H Glennerster: Adviser to HM Treasury on public services.

J Hills: Oral and written evidence (with Tania Burchardt and Howard Glennerster) to Royal Commission on Long-term Care, and discussions with Commission Secretariat; Oral evidence to Independent Inquiry into Inequalities in Health, on inequality trends, 15 October 1997, and on benefit system, 9 March 1998 (with written evidence, 20 March 1998); referee for *Fiscal Studies* and for Nuffield Foundation and ESRC grant applications.

K Kiernan: Referee of grant applications for ESRC and Nuffield Foundation and for *British Journal of Sociology* and *Journal of Comparative Research*.

D Piachaud: Memorandum and Oral Evidence to House of Commons Social Security Committee, 29 October 1997; Advice and analysis for Disability Benefits Consortium on Welfare Reform; Journal and grant referee: *Journal of Social Policy*, *British Journal of Sociology*, Leverhulme Trust, and Nuffield Foundation.

B6. Conference papers and presentations

(a) Conference papers

T Burchardt: Social Policy Annual Conference, University of Lincolnshire and Humberside, 14-16 July 1998 ('Is there a private welfare class?')

S Burgess and C Propper: Royal Economic Society conference, Warwick University, April 1998 (CASEpaper 6)

D Downes: Conference on the first year of the Labour Government and criminal justice, University of Hull, 10 July 1998 ('Toughing it out: From Labour opposition to Labour government')

M Evans: Conference to Celebrate the Centenary of Seebohm Rowntree's Poverty Study, York, 18-20 March 1998 (with G Bramley, 'Where does public expenditure go? The local and small area incidence of public expenditure and

its relationship to deprivation’); Low Pay Unit Annual Conference, Birmingham, 23 April 1998 (‘Transfer allegiances: Welfare, social security and hard choices’)

J Falkingham: Invited presentations at World Bank Poverty Reduction and Economic Management Conference, Washington DC, 1-2 June 1998 (‘Are the concepts of social exclusion and the World Bank strange bedfellows?’; ‘Persistent poverty: Are there lessons from the North for the South?’); invited plenary at UNDP International Conference on *Central Asia 2010*, Almaty, Kazakhstan, 20-22 July 1998 (‘Trends in human development and poverty in Central Asia’)

K Gardiner: Joseph Rowntree Foundation conference on work and opportunity, London, 16-17 October 1997 (‘Welfare to work’)

H Glennerster: Carnegie Foundation on International Ethics conference on New Directions in Social Policy, New York, October 1997 (‘From an old social contract to a new? UK social policy at the turn of the century’); IPPR conference on poverty and social exclusion, February 1998 (‘Tackling poverty and social exclusion at its roots: education’); Social Policy Annual Conference, University of Lincolnshire and Humberside, 14-16 July 1998 (‘Poverty, social exclusion and place: Studying the area bases of social exclusion’, with Philip Noden and Anne Power)

R Hendry: Social Policy Annual Conference, University of Lincolnshire and Humberside, 14-16 July 1998 (‘Fair Shares For All? The evolution of central government funding formulae’)

J Hills: ABI/ESRC Conference on paying for long-term care, 6 November 1997 (Chair and summing up); LSE Social Policy Students Conference, Cumberland Lodge, 8 February 1998 (‘Future of social policy’); CASE/SEU Conference on ‘Tackling Difficult Estates’, Trafford Hall, 30-31 March 1998 (Chair); German Association for the Study of British History and Politics, Mülheim, 21-22 May 1998 (‘Thatcherism, New Labour and the Welfare State’); Government Social Research Conference, Brighton, 23 June 1998 (‘Researching social exclusion’); LSE Housing / CASE, LSE 7 July 1998 (‘Welfare Reform: Whose welfare? What reform?’); Joseph Rowntree Foundation Summer School, Oxford, 13 July 1998 (‘Social exclusion and income distribution’); Pensions Provision Group, London, 23 July 1998 and Glasgow, 25 September 1998 (‘The PPG Report: An academic view’); British Association for the Advancement of Science, Sociology Section, Cardiff, 8 September 1998 (‘Social exclusion: The challenge for sociology’, with Anne Power); Housing Corporation / CASE / DETR Conference on low demand for social housing, Trafford Hall, Chester, 28-29 September 1998 (‘Social housing: A trouble-shooter’s view’)

J Hobcraft: Population Association of America Meeting, Chicago, 2-4 April 1998 (with K Kiernan, 'Long-term outcomes of childhood poverty, crime and family disruption: a longitudinal analysis'); British Society of Population Studies, Cambridge, 2-4 September 1998 ('Long-term outcomes of childhood poverty, crime and family disruption: a longitudinal analysis')

K Kiernan: CASE/Treasury/ ESRC Conference, Stoke Rochford, November 1997 (presentation on 'Family forms and inter-generational links'); Symposium on Below Replacement Fertility and Family Policies, Tokyo, 15 December 1997 ('Parenthood and family life in the UK'); New Surveys of NCDS and BCS70, 26 March 1998 ('Changing family patterns: the tale of three cohorts'); National Institute of Health Conference, Washington DC, June 1998 ('International perspectives on union formation'); British Society of Population Studies, Cambridge, 2-4 September 1998 ('Partnership change in Europe')

A Lee: Eurograd International Conference of Local Authorities on Russian Housing Reform, St Petersburg, October 1997 ('Privatisation of Public Housing in Britain' and Round Table discussion on 'Housing Reform in Russia: A glance from Europe')

J Le Grand: European University Institute, Florence ('Knights, Knaves and Pawns' October 1997); ESRC Economic Beliefs and Behaviour Conference, June 1998 (From Knight to Knave: public policy and endogenous motivation); Social Policy Association Annual Conference, University of Lincolnshire and Humberside, July 1998 ('Knights, Knaves and Pawns Revisited')

A Power: CASE / Treasury / ESRC Conference, Stoke Rochford, November 1997 ('Area polarisation and marginal estates'); presentation on area problems to international workshop on Work and Poverty at New York University, 29 January –1 February 1998; speaker at international conference in Gothenburg, 25-26 May ('Urban policy and social consequences on mass housing in Europe'); speaker at Mainliners/Big Issue conference on social exclusion, 23 June 1998; Housing Corporation / CASE / DETR conference on low demand for social housing, Trafford Hall, Chester, 28-29 September 1998 ('Area abandonment')

R Tunstall: PRP Architects/Brent Council/Ealing Family Housing Association, ('Local housing companies: The win-win approach'), 20 March 1998

(b) Seminar Presentations

P Agulnik: STICERD 'Work in Progress' Seminar, 3 June 1998 ('Evaluating pension reform'); CASE Welfare Policy and Analysis Seminar, 10 June 1998 ('Partnership pensions versus compulsory pensions')

T Burchardt: Department of Sociology, University of Surrey, 4 December 1997 ('Wheels of welfare'); Institute for Public Policy and Research, Workshop) 29 April 1998 ('Principles of public and private provision'); Corporate Responsibility Group annual consultation, Burnham, 7 May 1998 ('Measuring social exclusion'); Social Policy Association / Child Poverty Action Group seminar, 25 June 1998 ('Private insurance and the family')

F Cowell: Department of Applied Economics, Universita Autnoma, Barcelona, 16 March 1998 ('Income mobility: A robust approach')

M Evans: International Workshop on the Dimensions of Social Exclusion, Carl von Ossietzky University, Oldenburg, 26-30 September 1998 ('Institutional exclusion: Welfare to work in the US and Europe')

K Gardiner: Welfare Policy and Analysis Seminar, London School of Economics, 12 November 1997 ('Bridges from benefit to work'); LSE Social Policy Department 20 March 1998 ('Welfare to work')

J Hills: National Council for Voluntary Organisations, 2 December 1997('Making welfare work'); Department of Urban Studies, University of Glasgow, 5 June 1998 ('Social exclusion, income distribution and income mobility')

K Kiernan: National Institute of Population and Social Security Research, Tokyo, 16 December 1997 ('Parenthood and Family Life in the UK'); Harris School of Public Policy, University of Chicago, 6 April 1998 ('Divorce, crime and poverty in Great Britain'); Statistics Oslo, Norway, 17 May 1998 ('Who are the divorced and who divorces?'); Institute of Psychiatry, London, 25 June 1998 ('Who divorces?')

A Lee: LSE MSc Housing students, 27 February 1998 ('The move from the State: Stock transfers and local housing companies, and the regeneration role of housing associations'); STICERD Work in Progress Seminar, 18 February 1998 ('Local Housing Companies: Urban renewal and social exclusion')

K Mumford: Housing Corporation and Department of Environment, Transport and the Regions, Trafford Hall, 21-22 July 1998 ('Low demand for housing')

A Power: Mannheim Centre Seminar on Riots and Violence in Estates, 28 January 1998; Tai Cymru, Housing for Wales, seminar, 10 June 1998

Liz Richardson: Family Housing Association, December 1997 ('Housing plus estate regeneration'); Soho Housing Association Annual Tenants Forum, November 1997 ('Housing plus'); Office for Public Management, anti poverty seminar, January 1998 ('Anti-poverty work and regeneration')

B7. Media coverage: newspapers

Articles by CASE members:

Burgess, S and Propper, C: 'Future wages of sin in a misspent youth', *Times Higher Educational Supplement*, 3 April 1998.

D Downes: 'Prison does wonders for the jobless figures', *Guardian*, 25 November 1997; review of 'Dark Heart: The shocking truth about hidden Britain' by Nick Davies, *Times Literary Supplement*, 23 January 1998.

Glennerster, H: 'Breaking ranks of why 54 professors of Social Policy are wrong', *Guardian*, 5 November 1997; 'Indefensible to a degree', the case against subsidising Oxbridge, *Financial Times*, 18 October 1997; 'The NHS is not dead yet' (with J Le Grand), *Guardian*, 10 October 1997; 'Does poor training make people poor?', *Times Educational Supplement*, 27 February 1998; 'Lifting the lid on pot luck' (with J Hills), *Guardian*, 22 April 1998; 'Priorities for welfare', *The Times Higher Educational Supplement*, 7 August 1998.

Hills, J: 'Including the excluded', *Financial Times*, 18 March 1998.

Kleinman, M: 'New deal, old barriers', *Guardian*, 30 September 1998.

Le Grand, J: 'The third way beings with Cora', *New Statesman*, 6 March 1998; 'A means to an end', *Guardian*, 28 January 1998; 'Fog surrounds the facts', *Guardian*, 16 September 1998.

Power, A: 'Out of the ghettos', *Inside Housing*, 1997.

Tunstall, R: 'Developing Fortunegate Community Housing : Partnership as never before', *Housing Today*, 7 May 1998.

Coverage of work by CASE members:

As well as articles by CASE members themselves, the Centre's research has been reported or mentioned in 45 articles in a wide variety of newspapers, journals and magazines including: *Financial Times*, *Guardian*, *Times*, *Independent*, *Daily Telegraph*, *Daily Mail*, *Observer*, *Independent on Sunday*, *Economist*, *New Statesman*, *Prospect*, *Times Higher Educational Supplement*, *Irish Times*, *Die Zeit*, *Tokyo Times*, and others.

B8. Media coverage: radio and TV

37 interviews with Centre members were broadcast during the year on topics including social exclusion, marginal estates, long run effects of drug-taking and violent behaviour, income distribution, pensions reform, tax-benefit integration, welfare reform, British social policy, private welfare insurance, the Working Families Tax Credit, the Government's Green Paper on Welfare Reform, housing renovation and estate rescue, inequality and technical change, and the New Deal for lone parents. These were carried by programmes including: BBC TV News; Channel 4 News; BBC2 Newsnight; Radio 4's *Today Programme*, *World Tonight*, *Women's Hour*, *Thinking Aloud* and *The World This Weekend*; Radio 5 Live *Newstalk*; BBC World Service; BBC News 24 (TV); GLR; Talk Radio; RTE; Swedish radio; and Austrian radio.

B9. CASE Events

Major events organised by the Centre included:

- ◆ Our launch by Rt Hon Harriet Harman, Secretary of State for Social Security and Minister for Women, at the LSE on 13 November 1997, with other contributions by Professor Ronald Amann, Chief Executive of ESRC, John Hills and Professor Anthony Giddens, Director of LSE.
- ◆ A conference on 'Housing and the new regeneration agenda', with Hunt Thompson Associates, at LSE, 10 November 1997.
- ◆ A conference on 'New cycles of disadvantage' for ESRC and HM Treasury at Stoke Rochford, Grantham, 27-28 November 1997.
- ◆ A residential conference for CASE members and overseas visitors at Cumberland Lodge, Windsor Great Park, 5-6 January 1998.
- ◆ An evening conference on 'The economics of social exclusion' with ESRC and the Royal Economic Society at the Royal Society of Arts, 10 February 1998, with contributions by Professors Tony Atkinson and John Hills and chaired by Professor Steven Webb MP.
- ◆ A residential conference on 'Tackling difficult estates' for the Social Exclusion Unit at Trafford Hall, Chester, 30-31 March 1998.
- ◆ A public lecture, co-organised with the journal *Ethnic and Racial Studies*, by Professor William Julius Wilson on 'When work disappears: New implications for race and urban poverty in the global economy' at LSE, 25 June 1998.
- ◆ A conference on 'Welfare reform: Learning from America's mistakes' with contributions from Professor William Julius Wilson, Mr Geoff Mulgan, Professor John Hills and Professor David Piachaud, sponsored by Broomleigh Housing Association at LSE, 7 July 1998.
- ◆ Two Residential conferences on 'Low demand for social housing' for the Housing Corporation and the Department of Environment, Transport and the Regions at Trafford Hall, 21-22 July 1998 and 28-29 September 1998.

Afternoon seminars in our 'social exclusion' series included:

- ◆ Professor Brian Barry, Department of Government, LSE on 'Social exclusion and the strategy of equality'
- ◆ Dr Katherine Duffy, Director of Research, Council of Europe Initiative on Human Dignity and Social Exclusion on 'Social exclusion: perspectives from continental Europe'
- ◆ Dr Ruth Levitas, Department of Sociology, University of Bristol on 'Social exclusion and unemployment'
- ◆ Professor Albert Weale, Department of Government, University of Essex on 'Who should not have the vote? Social exclusion and political rights'
- ◆ Professor Raymond Plant (Lord Plant of Highfield) Master, St Catherine's College, Oxford on 'The labour market, citizenship and social exclusion'
- ◆ Professor Irwin Garfinkel, Columbia, and Professor Sara McLanahan, Princeton, on 'Child support in the US: Evidence from the fathers'
- ◆ Professor John Hobcraft and Dr Kathleen Kiernan, CASE and Department of Social Policy and Administration, LSE on 'Childhood divorce, crime and poverty: What relationships? What outcomes?'

- ◆ Professor Carol Smart, Department of Sociology and Social Policy, University of Leeds on 'Family fragments: Theory and practice in researching divorce'
- ◆ Professor Robert Walker, Centre for Research in Social Policy, Loughborough University on 'Benefit dynamics: Unpicking dimensions of poverty'
- ◆ Richard Burdett, Cities, Architecture and Engineering Programme, LSE on 'The built environment and social exclusion'
- ◆ Professor John Gray, European Institute, LSE on 'Equality or inclusion?'
- ◆ Dr John Macnicol, Royal Holloway and Bedford New College on 'Age discrimination and social exclusion'

Seminars in the 'Welfare Policy and Analysis' series, supported by the Department of Social Security, included:

- ◆ Nicholas Barr, Howard Glennerster and Tony Travers, London School of Economics, Symposium on the Dearing Committee report
- ◆ Deborah Mabbett and Helen Bolderson, Brunel University on 'Decentralisation and devolution in the governance of cash benefits in five countries'
- ◆ Karen Gardiner, CASE on 'Bridges from benefit to work'
- ◆ Michael White, Policy Studies Institute on 'Lone mothers, employment and well-being'
- ◆ Ruth Lister and Jackie Goode, Loughborough University, and Claire Callendar, Policy Studies Institute on 'The distribution of income within families receiving social security benefits'
- ◆ Irwin Garfinkel, Columbia University on 'Child support: The US debate'
- ◆ Jane Millar, Bath University on 'Making work pay: Evidence from Australia'
- ◆ Nigel Campbell, HM Treasury on 'The Working Families Tax Credit'
- ◆ Phil Agulnik, CASE on 'Partnership pensions versus compulsory pensions'

B10. International collaborative research projects

Martin Evans: Research for EUROMOD, the European tax and benefit microsimulation model; Nuffield Foundation research project on 'Welfare to Work' with Columbia University, Paris Nanterre University, University of Hamburg and the Amsterdam School of Social Science Research.

Anne Power: Collaborative work with Harvard University and several European housing, regeneration and urban projects (German, Danish, Irish, French and Spanish).

Liz Richardson and Katharine Mumford advised on British housing issues for a thirty country collaborative research project on the non-profit sector co-ordinated by Johns Hopkins University, Baltimore.

C. FINANCIAL RESOURCES

(All figures for actual spending October 1997 to September 1998; figures included for August and September 1998 are estimates.)

C1. ESRC core funding

Total CASE grant **£296 967**

C2. Other ESRC funding

Formula funding	£ 43 632	
New cycles of deprivation	£ 6 974	£ 50 606

(In addition 80 per cent of Dr Kiernan's salary is funded by a separately administered ESRC grant)

C3. Host institution

Salaries (and indirect costs), computer support, accommodation and administrative and secretarial support **£ 94 585**
(Excludes teaching staff research time committed to the centre)

C4. Other funding

OST and other research councils Nil

UK foundations		
Joseph Rowntree Foundation	£ 59 478	
Nuffield Foundation	£ 37 813	
Gatsby Charitable Foundation	£ 45 611	£142 902

UK industry and commerce		
Association of British Insurers		£ 2 000

UK local authorities Nil

UK central government		
Department of the Environment, Transport and the Regions	£ 38 602	
Department of Social Security	£ 2 661	
Housing Corporation	£ 29 770	
National Audit Office	£ 533	£ 71 566

UK voluntary sector Nil

European Community £ 1 500

Other overseas Nil

Total other funding **£217 968**

Total financial resources £660 126

D. STAFF RESOURCES 1997/98

D1. Research Staff

(Full-time for 12 months unless specified)

Professor John Hills, Director of CASE	(90% ESRC-funded, 10% co-funded)
Ms Tania Burchardt, Research Officer	(10% ESRC-funded, 90% co-funded)
Ms Valerie Estaugh, Research Officer	(half-time from September 1998; ESRC-funded)
Mr David Divine, Research Assistant	(from July 1998; co-funded)
Dr Martin Evans, Research Fellow	(co-funded)
Ms Karen Gardiner, Research Fellow	(ESRC-funded)
Mr Ross Hendry, Research Officer	(ESRC-project funded)
Mr Didier Jacobs, Research Officer	(from November 1997; 45% ESRC-funded, 55% co-funded)
Mr Anthony Lee, Research Assistant	(half-time; co-funded)
Ms Ruth Lupton, Research Officer	(from September 1998; ESRC-funded)
Ms Katharine Mumford, Research Officer	(four-fifths until June 1998; co-funded)
Dr Philip Noden, Research Officer	(until September 1998; ESRC-funded)
Ms Liz Richardson, Research Officer	(co-funded)

D2. Associated academic staff

(Total input; of which ESRC funded, including replacement teaching)

Professor Brian Barry, Associate	(5%; nil)
Professor Simon Burgess, Associate	(5%; nil)
Professor Frank Cowell, Associate	(30%; 25%)
Professor Howard Glennerster, Co-Director of CASE	(30%; nil)
Professor John Hobcraft, Associate	(50%; 25%)
Dr Kathleen Kiernan, Co-Director of CASE	(100%; 100%)
Professor Julian Le Grand, Co-Director of CASE	(30%; 25%)
Professor David Piachaud, Associate	(5%; nil)
Professor Anne Power, Deputy Director of CASE	(50%; 20%)
Professor Carol Propper, Associate	(15%; nil)
Dr Chris Schluter, Associate	(10%; 10%)
Mr Tony Travers, Associate	(10%; 10%)

D3. Support Staff

Ms Jane Dickson, CASE Administrator	(80%)
Ms Rebecca Morris, Administrative Secretary	(from June 1998; 50% ESRC-funded, 50% co-funded)
Mr Charles Affor, Computer Support Officer	(30%)

D4. Research Students

Mr Philip Agulnik
Ms Sarah Cheesbrough

Ms Megan Ravenhill
Ms Polly Vizard

D5. Staff development

25 members of the Centre took part in a two day residential conference at Cumberland Lodge, Windsor in January 1998, and in a one-day seminar in July 1998. Both events were designed to develop the new Centre's plans and organisation and to strengthen connections between separate projects.

APPENDIX 3 : PERFORMANCE INDICATORS SUMMARY 1997/98

A: Publications (excluding those largely attributable to work before October 1997)

A1	Books	2
A2	Book chapters	4
A3	Refereed journal papers	4
A4	Non-refereed journal papers	6
A5	Other publications:	
	CASEpapers and CASEreports	12
	Other	7

B: External Relations

B1	Membership of committees	12
B2	Membership of networks	6
B3	Overseas visitors (more than 2 days)	2
B4	Overseas visitors (over 3 months)	3
B5	Substantial advice and consultancy*	10
B6	Conference papers and seminar presentations	64
B7	Media coverage: newspapers	61
B8	Media coverage: radio and TV	37
B9	CASE events:	
	Conferences	10
	Seminars	21
B10	International collaborative research projects	5

*excludes grant and journal refereeing

C: Financial resources (October 1997 – September 1998, £000s)

C1	ESRC core funding	297
C2	Other ESRC funding	51
C3	Host institution	95
C4	Other funding:	
	OST and other research councils	Nil
	UK foundations	143
	UK industry and commerce	2
	UK local authorities	Nil
	UK central government	72
	UK voluntary sector	Nil
	European Community	2
	Other overseas	Nil
C5	Overall total	660

D: Staff resources

D1	Research staff (of which ESRC funded)	
	Individuals	13 (6)
	Full-time equivalents	9.7 (4.3)
D2	Associated academic staff (ESRC funded)	
	Individuals	12 (7)
	Full-time equivalents	3.4 (2.2)
D3	Support staff	
	Individuals	3
	Full-time equivalents	1.6
D4	Research students	4
D5	Staff development days	75
