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Meaningful goal or mirage?

Ivan Turok

Introduction

The challenge at the heart of local and regional development is to build a more productive economy while cutting poverty and inequality. Governments around the world espouse the values of social justice and inclusion while trying to raise productivity, boost investment and create jobs. This tension has been expressed in different ways at different times – between efficiency and equity, wealth creation and distribution, self-interest and solidarity, prosperity and fairness, or competitiveness and cohesion. Meanings vary, but they allude to a common belief that spatial development policy should craft together different values and realities, and promote what is often summarised as inclusive growth.

This stems partly from a moral sense that everyone should gain from a more affluent society, along with a pragmatic realisation that this should provide a more secure foundation for long-term economic progress and stability.

The commitment to shared prosperity and a broad economic development agenda has been called into question over the last two decades by the global trend of rising inequality. A range of studies have found that the gap between rich and poor has grown since the 1980s and that the number of people falling below the poverty line has also increased in most advanced economies (OECD, 2008; Dickens and McKnight, 2008; Heidenreich and Wunder, 2008; International Institute for Labour Studies, 2008). Inequality is higher still in most countries of the global South, with the locus of poverty shifting from rural areas towards cities (UN-Habitat, 2008). Global social and spatial divisions seem to have been growing despite expanding world output, prompting questions about why growth isn’t being shared more fairly and the ‘rising tide’ isn’t lifting all boats (Green, 2008). Social mobility also seems to have stagnated in many places, levels of trust and engagement in public institutions have diminished, and localised concentrations of poverty have persisted, risking entrenched exclusion and alienation from mainstream society (OECD, 2008; Irvin, 2008).

Meanwhile, highly educated groups have gained rich rewards from global technological change and financial deregulation, bolstered by cuts in top tax rates to attract talent (Toynbee and Walker, 2008; Economist, 2009). People have been encouraged to believe that the success of the few ultimately makes
everyone better off. Traditional welfare policies have been replaced by more individualised systems, with people reliant on private savings for their pensions and loans to fund university education. Labour markets and public housing systems have been liberalised to attract investment and enable ‘adjustment’ to global forces through lower wages, flexible work patterns and migration. And redistributive social and spatial policies have been revised to support national growth objectives (Fothergill, 2005; Pike et al., 2006; Hildreth, 2009). In the global South, structural adjustment programmes and enforced privatisation have curtailed the developmental capacity of many governments. The widespread assumption has been that the state is generally ineffectual, if not obsolescent, and that it has no alternative but to embrace market processes if it wants to improve long-run economic performance on the basis that markets are rational, efficient and can’t be bucked.

The global downturn has raised serious doubts about this orthodoxy. The credit crunch, collapse in world trade and jobs crisis have provoked unprecedented state activism to stimulate national economies, rescue failing banks and bolster struggling firms and industries. Grave concerns have emerged about the dominant Anglo-Saxon model of financial capitalism, with its speculative tendencies, neglect of the real economy and extravagant rewards for the few. Unfettered market mechanisms and ‘sound macroeconomic principles’ have patently failed to deliver steady and sustained growth, let alone trickle down, prompting calls for concerted intervention to reform economic structures, tackle sectional interests and protect the most vulnerable from the burden of the slump. If the rising tide left some people and places behind, a prolonged falling tide could usher in a new age of austerity and cause extensive hardship, especially with state resources depleted by indebtedness from bailing out the financial system. Faced with the paradox of rising incomes alongside greater anxiety and discontent over the last two decades, some observers have gone further to suggest replacing the goals of wealth creation and material consumption by the broader values of well-being, happiness and mutuality (Layard, 2006; Jackson, 2009).

The purpose of this chapter is to review some of the main arguments surrounding the challenges of poverty, inequality and economic development. I consider different perspectives on the relationship between growth and inequality and discuss the merits of two orthodox policy responses – social protection and welfare-to-work. Despite the different circumstances of the global North and South, I suggest there are some common guiding principles for a more effective and dynamic approach. I argue that inclusive growth is a meaningful goal rather than a mirage, although it requires clearer specification and cannot be achieved without active state involvement in market mechanisms, which tend towards unequal and uneven outcomes. Rewarding employment is the most important pragmatic route to shared prosperity, and requires governments to perform different functions at different levels. Local and regional development has a vital role to play, complemented by national policies that redistribute resources and regulate markets.

The chapter begins by considering the different dimensions of poverty and inequality, emphasising the need for a broad perspective covering both relative and absolute poverty. It then proceeds to examine the dynamics of change, distinguishing between temporary and persistent poverty, for individuals and across generations. The idea of equality of opportunity is more widely supported than equality of outcome, especially in seeking to improve economic performance. The underlying causes of poverty are then outlined, including individual, cultural and structural explanations. This provides the basis for exploring different policy responses in the remainder of the chapter.
The concepts of poverty and inequality

Absolute poverty is defined by the number of people below a given threshold or poverty line. This is the minimum income per head required to achieve an adequate standard of living in a given country. It depends on the precise definition of essential needs and is influenced by the cost of food, shelter, transport and other essential resources consumed by an average adult. The standard international poverty line used by the United Nations and World Bank is $2 a day, or $1.25 for extreme hardship. This concept has been broadened over time to include lack of access to services such as water, sanitation, health, education and information (United Nations, 1995). This breadth is reflected in the Millennium Development Goals launched in 2000, which devote particular attention to poor health and low life expectancy (UN-Habitat, 2006).

These dimensions have since been extended further to reflect people’s own definitions of poverty through ‘livelihoods’ approaches. These stress personal capacities as well as needs, and include access to ‘assets’ such as skills and knowledge; savings and credit; land, housing and natural resources, and social and community networks. Ideas of resilience and stability are also important in recognising vulnerability to poverty if people’s resources are insufficient to cope with unexpected shocks (such as natural disasters, conflict, family illness or death) or stresses (such as loss of seasonal employment or income, or steadily rising food or fuel prices) (Rakodi, 2002; Scoones, 2009). Livelihoods approaches also encourage locally embedded, place-based understandings of poverty and marginalisation, rather than highly generalised indicators introduced top-down.

An absolute poverty line can give the impression that the problem is soluble with limited economic and social change. It says nothing about the persistence of poverty and whether it is caused by deficiencies of individuals or wider labour market or demographic processes. It tends to imply that the appropriate response is to provide a basic income and public services to those without a means of living. The simplest way to finance this is by expanding overall tax revenues through economic growth. Most of the global South needs the additional resources because of the scale of hardship and modest national incomes. Wealthier countries may not need growth to fund poverty programmes, although the extra taxes avoid having to divert funds from other purposes. There is no need in either case to interfere with the basic structure of the economy or the distribution of income. Poverty can apparently be tackled through light touch government collecting taxes due on increased economic activity, i.e. via growth followed by targeted social spending.

Absolute poverty also neglects the social context, including the subjective feelings and attitudes of people on low incomes relative to wider norms and standards. Much research has shown that people are poor mainly in relation to the wider society, not independently of their social environment (Wilkinson and Pickett, 2007, 2009). The social and economic distance or stratification between groups is often more important than the absolute level of income in determining well-being, especially in countries where most people have attained basic living standards. This is because health and welfare are influenced by ‘psychosocial’ factors – whether people feel valued and respected by others, in control at work and in their domestic lives, and enjoy strong friendships. Large differences in social status, reinforced by gaps in material wealth and consumption, can damage self-esteem and contribute to a range of stress-related diseases, obesity, addictions and even violent crime. Many of these costly problems are not confined to the poor, but apply across society as a whole. It is well known that poverty harms those who suffer insecurity and poor diets, but Wilkinson and Pickett show that it means greater anxiety.
and depression, poorer social relationships, worse health and higher mortality for society overall. Hence, they argue that greater equality makes everyone better off. Their evidence in relation to social outcomes is strong, but the relationship between equality and economic outcomes may be more complex, as indicated below.

The concept of relative poverty reflects a concern about social disparities and is usually measured by some fraction of typical incomes in a country. This link allows the poverty line to change as a society becomes wealthier. The OECD and European Union use the threshold of 60 per cent of the median household income. This is the point at which people are thought to struggle to share the ordinary expectations of the majority. People below this level lack what most people take for granted. The median income is used rather than the mean in order to compare against households in the middle of the spectrum and ignore being influenced by the super-rich. There is still an empirical connection between relative poverty and income inequality – more unequal societies have higher levels of relative poverty (OECD, 2008), but they are not identical concepts.

The implication for policy is that tackling relative poverty requires a shift in underlying social relationships, which may include intervening in the distribution of income and property, and challenging the systems that create and perpetuate unequal educational outcomes, segmented occupational hierarchies and other skewed opportunity structures.

A shortcoming of the relative poverty measure is that it can conceal rising real incomes for people in the bottom half of the spectrum if middle-income earners do even better. For example, a remarkable five hundred million people in China (some 40 per cent) were lifted out of a dollar a day absolute poverty by rapid industrialisation and economic growth between 1981 and 2004, although income disparities increased as well during this period (UN-Habitat, 2008). This sharp fall in material poverty meant undoubted social progress – these people were genuinely better off – yet relative poverty may have grown because people above them did even better. The wider point is that both relative and absolute poverty are important concepts, along with some broader notions of livelihood and inequality. A partial, one-dimensional perspective may misrepresent particular local or national conditions.

Another important point is that poverty and its implications vary greatly in different contexts. Relative poverty is linked more directly to the distribution of income than to the economic growth rate, whereas it may be the other way round with absolute poverty. This may mean that a more pressing priority for countries of the South is to generate additional resources for pro-poor policies, whereas social inequality is a greater concern in wealthier countries, where redistribution is more viable. This simple distinction ignores the possibility that growth may be generated through poverty programmes, for example, by bringing unemployed labour into productive use. It also ignores differences within and between countries and the underlying causes of poverty and inequality. More light can be shed on this by considering the dynamics of poverty.

**Poverty dynamics**

Poverty is not static and people’s experiences and risks vary widely. Analysis of poverty dynamics can reveal the trajectories of different households and their chances of falling into or escaping poverty. This helps to go beyond describing how many people are poor at any point in time to know how long they remain poor and whether they experience recurrent periods. People whose income falls below the poverty line for a temporary spell may not even consider themselves poor, for example, those moving between jobs, absent through childbirth and students. Many others experience prolonged or recurrent low income, causing hardship, mounting debt
and demoralisation. Research shows a significant relationship between overall inequality and persistent poverty at the country level. Unequal societies are prone to developing a section of the population who are trapped in poverty for long periods, damaging their well-being and their children’s prospects (OECD, 2008; Irvin, 2008). Such cumulative impacts are major social concerns, implying deep-seated problems requiring fundamental responses.

The full consequences of persistent poverty may be apparent in lack of change across generations, or social immobility. When children ‘inherit’ much of their economic status from their parents, this creates a perception of unfairness and lack of opportunity. Countries with a high transmission of disadvantage from one generation to the next may also be less productive than those where people have a more equal chance to succeed, as they waste the skills and talents of those from deprived backgrounds. Research suggests a relationship between equality of opportunity, social mobility and equality of outcome: “the more unequal a society is, the more difficult it is to move up the social ladder, simply because children have a greater gap to make up” (OECD, 2008: 204). This is salutary for those who assert that everyone has a fair chance of success and that individual effort is the key. It justifies the state trying to narrow the gap in life chances and reduce inherited inequality by creating a high-quality education system, taxing inheritance and investing in vulnerable communities.

Almost everyone agrees that equality of opportunity is important, both for economic and moral reasons. This corresponds well with most notions of equity and fairness, namely that people should have an equal chance to reach their potential in life. However, equality of opportunity is hard to measure and difficult to achieve – not least because of the powerful influence of parental resources, knowledge and ongoing support on their children’s opportunities and capabilities. In the UK, the decline in social mobility over the last three decades has become an explicit policy concern because poorer groups are consistently held back by their social backgrounds and restricted opportunities, despite a core government objective over the last decade to shift the focus from inequality of income to opportunity, i.e. meritocracy rather than equality (Irvin, 2008). The latest policy response aims to widen access to education for individuals from the earliest years through to university and beyond, and to give poorer parents some additional support (HM Government, 2009). Policy-makers have been less inclined to address the underlying structural obstacles to social progress.

There is far less agreement about equality of outcomes than opportunities, especially for economic development (International Institute for Labour Studies, 2008). From a meritocratic perspective, inequality is actually fair and beneficial if it reflects individual skill and effort, but detrimental if it results from inherited wealth or unjustified discrimination based on factors such as race, gender, disability or place of residence, for reasons explained above. Market economists also see inequality as providing incentives to individual enterprise and risk-taking, which is deemed to underpin an efficient and prosperous economy, and improve society as a whole through higher incomes and opportunities for all. Critics counter that individual effort does not necessarily generate wider benefits, especially if it is associated with opportunistic behaviour, greed and excess (Irvin, 2008; Toynbee and Walker, 2008). Creativity and innovation in modern economies are delicate phenomena that depend less on individual initiative than on a combination of trust, cooperation, state support and private risk (Hutton and Schneider, 2008). Even the founder of free-market economics Adam Smith argued that economies do not work well if guided by self-interest alone – they need to be steered by a broader framework of social values, rules and conventions, or ‘moral sentiments’ that people internalise in judging how to behave (Smith, 2002).
The important point is that the dynamics of poverty vary in different contexts and the main policy challenge is persistent poverty and inequality, for individuals and across generations. A high level of inequality seems to have corrosive social consequences, although it is possible there are some economic advantages from limited inequality if it reflects rewards to individual talent and endeavour, rather than inheritance. Government policy should be concerned above all with helping people to escape from poverty in ways that can be sustained, and preventing others from falling into poverty. This includes support for young children to limit their life chances being curtailed at an early age. Policies of amelioration and mitigation are necessary to limit the worst effects of poverty, but they don’t provide lasting solutions.

The analysis of poverty dynamics also requires a spatial dimension. ‘Place’ can be enabling or disabling for the poor, reinforcing or counteracting other forces in all kinds of ways. For example, the opportunity structures of neighbourhoods can work together to facilitate upward mobility or they can trap people in environments with poor access to jobs and amenities. Neighbourhoods that seem just as poor on the usual deprivation indicators can actually have contrasting trajectories because of their different locational assets. Some function as escalators assisting people to gain a foothold in the labour market or housing system because they are well located, have good schools or other facilities, or have strong outward-oriented social networks. These areas may appear to be poor because of the steady influx of low-income residents and the departure of people as they become better off. Other places function as poor enclaves—they are more isolated from opportunities and their services suffer under pressure from the concentration of poor households (Robson, 2009). Policies need to be more sensitive to the role different places perform within the urban system. Escalators have potential for reducing poverty that might be enhanced, while enclaves require more comprehensive support on the grounds of need.

**Causes of poverty and inequality**

It is clear from the above that the causes of poverty can be wide-ranging and complex, depending partly on whether the reference point is the household, community, region or nation, and their particular circumstances. Interpretations are frequently contested because of the significant issues at stake and the difficulties involved in untangling the different factors at work. Separating the causes of poverty from the symptoms and consequences is not straightforward, especially when the processes are subtle and feedback effects occur. This gives considerable scope for ideological and political differences to emerge. Yet understanding what lies at the root of the problem is clearly important for formulating effective policy responses that go beyond palliatives to offer lasting solutions.

The simplest kind of explanation is where poverty is a temporary phenomenon affecting individuals or areas. People may experience poverty for a short period as a result of unforeseen events, such as redundancy, illness or an environmental hazard (fire or flooding) removing their livelihood. Localities may experience a temporary downturn because of difficulties afflicting a major employer or unseasonal conditions disrupting tourism, food supply or energy production. National economies may witness periodic recessions as a result of business cycles, volatile currency movements or stock market fluctuations. The consequences typically include higher unemployment and lower earnings, with the scale of the problem often accentuated by the spread of uncertainty and loss of confidence among investors and consumers.

The second type of explanation attributes poverty to the characteristics of individuals and households. People may be particularly vulnerable to poverty because they lack
relevant skills and capabilities, or are unable to work through sickness, disability or old age. Governments are tempted to define poverty as being the result of personal deficiency, absolving them of responsibility. Unemployment is treated as if it is voluntary – there are plenty of vacancies available, but people lack a work ethic (e.g. HM Treasury, 2001). Some groups experience discrimination in the labour market because of gender, ethnic or religious backgrounds. People’s risk of poverty varies at different stages of the life course, with children and older people being particularly vulnerable in countries with low levels of social protection. Adults with large numbers of dependants are also at risk, especially single parents. The biggest increase in poverty over the last two decades has occurred among working-age adults without jobs, along with their children (OECD, 2008). The implications of this important link between poverty and joblessness are discussed later.

Analyses focused on individual characteristics are generally better at describing the incidence of poverty (who is affected) than at explaining the origins or scale of the problem. There are essentially two kinds of more general explanation – cultural and economic. Cultural analyses typically attribute poverty to the attitudes, behaviour and agency of the individuals and groups at risk. For example, young men may be put off going to college or getting a job by peer pressure and socialisation in deprived areas, or the availability of easier sources of income. Marginalised communities may suffer from depressed expectations and a weak social fabric, with households prone to domestic disputes, family breakdown, teenage pregnancies and behavioural problems among children, thereby lowering educational attainment and repeating the cycle of poverty. In the UK policy discourse, the notion of an ‘underclass’ has been replaced by a supposed culture of low aspiration among deprived communities (HM Government, 2009).

Economic and structural analyses acknowledge cultural dimensions of poverty, but consider these more consequential than causal. For instance, long-term unemployment may damage people’s confidence, undermine their motivation and reinforce their sense of exclusion, but attributing their economic status to poor attitudes would be misleading. Primacy must be afforded to the conditions shaping the opportunities for individuals and communities, including shifts in industries and occupations and the geography of jobs. Economic decline and restructuring are powerful drivers of unemployment and low income, varying in scale and composition across localities and regions. De-industrialisation in many advanced and middle-income economies has eroded the prospects for less-skilled male manual workers. Meanwhile, highly qualified professional, managerial and technical workers have enjoyed strong growth in earnings and investment income, thereby widening inequality (OECD, 2008). Natural population growth and in-migration have also enlarged the supply of labour in some places, harming the job prospects of local residents. Underlying these processes may be pervasive differences in the socio-economic position of different sections of the population, reinforced by selection mechanisms that restrict disadvantaged groups escaping from poverty in significant numbers. Other obstacles faced by the poor may relate to mundane matters such as low transport mobility or lack of vocational training facilities. A full analysis of poverty needs to be context specific and reflect the combined effects of different forces, individual and structural, cultural and economic.

Traditional responses: social protection

Governments have conventionally responded to poverty by extending social protection. Programmes are funded out of general taxation and distribute resources either through welfare benefits (cash transfers) or in-kind
welfare services. Cash is paid to people who cannot support themselves because of unemployment, sickness, old age or caring responsibilities. Child support grants, disability allowances and basic pensions tend to be universal and given without testing individual incomes. Other benefits are means-tested to target the poor and limit the cost to the state, although this can stigmatise recipients and reduce take-up. They include subsidies towards the cost of food, clothing, housing, utilities or public transport. Some unemployment benefits and pensions are more generous than basic state provision, on condition that recipients contributed financially while they were working.

Benefit payments put money into people’s hands and are therefore the most direct means of easing the burden of income poverty. Having control over the resources, people can meet their particular needs and preferences without outside influence. Raising benefit levels may be a good way of injecting spending power into the economy during a recession because the poor tend to spend more of their income on goods and services than the wealthy, and spend it fastest since they need it most (Elmendorf and Furman, 2008).

A drawback may be that welfare recipients are less inclined to seek work, depending on benefit levels, their duration and prevailing wage rates. Means-testing can worsen the disincentive effect because of the high marginal tax rates faced when moving into work. Targeted benefits can therefore create a poverty trap and reinforce exclusion, instead of a stepping stone towards inclusion and independence. More than a million people in the UK were transferred on to Incapacity Benefit during the 1980s and 1990s in response to rising unemployment (Brown et al., 2008). They were written-off on the basis that their age, manual skills and location gave them little chance of regaining employment. Without support, their morale and skills deteriorated, their physical and mental health suffered, and a range of wider social problems became ingrained. These conditions proved difficult to reverse when the labour market subsequently recovered and whole communities were scarred by the experience (Audit Commission, 2008).

The poverty response of many cash-strapped governments in the global South has been to limit welfare payments to bare subsistence level and confine them to dependants such as children and pensioners. In practice, the income may still be spent across the whole family, thereby diluting the benefits for target groups. Restricting social grants to children can also encourage poor women to have more children, thereby complicating their ability to get a job and become self-reliant. Some states add conditions to benefit receipt in order to address the health and educational effects of poverty. In some South American countries parents only receive grants for their children if they attend school and get regular health checks.

This begins to address a concern that grants neglect the root causes of poverty and therefore provide no lasting solution. They alleviate the condition, but don’t lift people out of poverty in a sustainable way by increasing their employability or entrepreneurial skills, for example. Nor do they prevent people from falling into poverty in future by counteracting the triggers, such as educational failure or loss of employment. This is not to underestimate the importance of an income safety net for people who are destitute because of the obvious benefits for their health and well-being. Scandinavian countries have addressed the tension between out-of-work poverty and welfare dependency by creating generous benefit systems that are time-limited, with a condition that recipients actively seek work and the state acting as employer of last resort.

The other main type of government response to poverty – welfare services – has a more direct bearing on the contributory factors. Quality provision in health, education and child-care can both treat some of the effects of poverty and improve individual capabilities. This can benefit society as a
whole through better educated and healthier citizens. For example, social housing can give people stability and security, and enable them to focus on improving other aspects of their lives, including building a livelihood. Quality public services can also help to redistribute resources because they retain the support of middle-income groups, who would otherwise opt out to the private sector. Comprehensive education systems can offset the gap in life chances between people from different social backgrounds by helping to level the playing field. There may be a degree of paternalism involved in the state assuming it knows what forms of spending are best for children and families, rather than giving grants. In the global South, basic services such as water, sanitation, electricity, schools and clinics are vital to tackle extreme hardship in informal urban settlements and rural areas. As well as transforming child mortality and life expectancy, they can prevent the spread of disease and improve skills and resilience.

The 2009 World Development Report provided a novel formulation of these arguments in advocating an approach to ‘uneven but inclusive growth’ that placed universal basic services centre-stage (World Bank, 2009). The top priority in the global South was to provide essential services throughout the country to create the conditions for growth. A vital objective of this ‘neutral’ national policy was to unify each country by improving living conditions and reducing territorial disputes. The Report argued that growth is inevitably unbalanced and focused in the major cities as a result of agglomeration economies. Responsive social services in rural areas can equip people with the competences to access urban employment, while preventing others from being pushed into migrating for the wrong reasons, namely poor local facilities. Lagging regions would benefit from urban prosperity through remittances and circular migration. Improvements in transport connectivity would facilitate economic integration between cities and their hinterlands. The Report was critical of spatial development policies that seek to steer productive investment towards lagging areas, on the grounds that this will hold back national economic growth. It was strangely silent on direct measures that local and national governments can take to accelerate economic development, in cities and elsewhere, presumably because this goes beyond basic public goods. In line with the New Economic Geography, the assumption was that growth would emerge naturally through the concentration of population and lower barriers to trade between places, even if this takes generations.

**Welfare-to-work**

An alternative approach to inclusive growth has emerged in some countries, partly in recognition that welfare programmes may not provide sufficient basis for improved living standards, especially if people are trapped in unfavourable circumstances without opportunities to enhance their position. Paternalistic systems may also result in some welfare recipients developing lifestyle habits and expectations that cannot be accommodated indefinitely. A more active, resourceful and self-reliant citizenry is generally healthier, especially where state capacity is restricted and people ultimately have to support themselves. Governments need the practical ideas and hands-on involvement of local communities to develop relevant projects and programmes that can build skills and competences, improve livelihoods, provide work experience and address other barriers to economic and social progress.

A broader motivation is the traditional separation of social policy from economic considerations, in effect relegating it to a lower status and making it difficult to develop an integrated approach. Social programmes may be viewed as remedial, introduced after the event to compensate people and places left behind by economic change or palliatives chasing the symptoms of poverty around
different public agencies without getting to the heart of the problem. They may be treated as pure costs or deductions from the resources generated by the productive economy, rather than as investments that can prevent the occurrence of poverty or contribute to long-term economic performance through, for example, ensuring the production and maintenance of a healthy, educated and motivated workforce.

Welfare-to-work is intended to give employment greater priority in tackling poverty and inequality. It is consistent with a large body of research showing that involuntary unemployment is the main determinant of social exclusion in advanced economies, where paid jobs are the principal source of income, daily routine, social status, personal identity and social interaction outside the family (Gordon and Turok, 2005). Consequently, employment offers the best route out of poverty because it provides a secure livelihood, meaning, dignity and structure to people’s lives. Work enables people to realise their potential, is good for their health and well-being, and is where they meet most of their friends and partners. More people seeking employment also benefits the economy through increased labour supply. Some governments regard welfare-to-work as a more politically acceptable way of redistributing resources than unconditional grants, since the participants will be contributing to society.

One element of welfare-to-work is an active benefits regime, requiring recipients to take deliberate steps to improve their employability (through participation in work experience, vocational training or drug rehabilitation schemes) and actively look for work. Efforts to shift benefit claimants from passive recipients to active jobseekers can be harsh and punitive (‘workfare’). Elsewhere, the ethos is more supportive, with an emphasis on positive encouragement to cooperate rather than negative sanctions for lack of compliance. A second part of the package is making ‘work pay’ and ensuring that low-income households have a real incentive to choose paid work, using a minimum wage and tax credits. A third component is to align organisations responsible for providing welfare benefits with those delivering employment and training services to ensure an integrated approach, perhaps with a focus on supporting particular target groups, such as single parents or people with disabilities.

An additional element in some countries is to decentralise programmes to the local level in order to allow for more flexible tailoring to local labour market conditions and individual needs. Area-based initiatives can also enable more effective outreach into disadvantaged communities and stronger engagement with employers to persuade them to make vacancies available to target groups and to assist with subsequent job retention and progression. Decentralisation also offers the potential to connect public health, social care, training and anti-poverty programmes because of their common interest in getting more people engaged in meaningful activity that builds confidence, self-esteem and well-being.

An important limitation of welfare-to-work is the assumption that sufficient jobs exist to absorb people coming off welfare. It is partial in emphasising the supply-side of the labour market and neglecting the level and composition of labour demand. At worst it shifts the responsibility for unemployment on to the individual by implying that if they look harder and moderate their wage expectations they can find work. Evidence shows that the policy has been least effective in depressed local labour markets, where needs are greatest (Sunley et al., 2005). It was introduced as a standard national programme in the UK, in the interests of scale and consistency, but this has prevented adaptation in line with different local conditions.

A second weakness is the risk of creating a group of ‘working poor’. This seems to have been an outcome in the USA during the 1990s when people in the lowest decile of the distribution saw their incomes stagnate or fall, despite sizeable employment growth.
Similar concerns have emerged in the UK over the last decade, where half of all poor children now live in households with someone in work (Lawton, 2009; Tripney et al., 2009). Another striking UK finding is that around 70 per cent of people who get a job subsequently return to benefits within a year (Convery, 2009). Welfare-to-work programmes are insufficient to ensure that work is a genuine route out of poverty by improving job advancement to more rewarding positions, and freeing up entry-level jobs for the next cohort of job-seekers and school leavers. Additional measures are required to support progression, including stronger workplace regulation and a higher minimum wage to protect workers in this precarious section of the labour market. Such measures are likely to be more successful if integrated with the wider policies outlined in the conclusion.

**Conclusion: Towards a broader approach**

It has been argued that the pursuit of economic growth through market mechanisms can militate against social justice objectives. Furthermore, the prevailing social policy orthodoxy is an inadequate response to the challenges of uneven and unequal development. Rising unemployment, poverty and inequality require a broader and bolder approach. This is particularly apparent in current circumstances to prevent the economic difficulties from being translated into deep-seated social problems that are much more complex to resolve. The goal of inclusive growth is meaningful, but it needs a more precise definition since this policy arena is hotly contested and ambiguities abound. There are crucial differences between aiming to reduce absolute and relative poverty, and between equality of opportunity and outcome. Different definitions of the issue imply different kinds of anti-poverty strategy. The detailed composition of policy is also bound to vary between places and at different points in time, depending on economic and demographic conditions, industrial and occupational structures, and levels of education and skills.

There is a good case for putting full and rewarding employment at the heart of inclusive growth strategies because of the wide-ranging benefits for society and the economy. An employment focus can draw diverse interests together around a common agenda, including the business sector, trade unions, community groups, health professionals, social services and organisations responsible for education, training and economic development. A more rounded approach than welfare-to-work is required, with policies to strengthen labour demand as well as supply, creating more and better jobs paying wages that lift workers and their families out of poverty. Employment can be made a cross-cutting priority, using the full range of public sector powers as purchaser, investor, legislator and service provider. Public sector action is required to support people and places marginalised by market processes. Governments can encourage labour-intensive forms of growth through public works programmes, subsidise temporary work placements to give people relevant experience and become employers of last resort when other options are exhausted. National regulation of the labour market is important to protect vulnerable workers from insecure and unreasonable conditions. Health policies can support responsive work-related services to prevent accidents, stress and other ailments from causing people to lose contact with the labour market and falling into long-term sickness.

Countries such as the UK have not traditionally been very successful at ensuring an inclusive labour market with equal opportunities for people from different areas and social backgrounds, partly because of the centralised nature of economic and social policy. Local and regional development can help to overcome these weaknesses and
promote more dynamic and effective interventions. Being rooted in place allows for greater sensitivity to local needs and circumstances, and a richer understanding of shifting conditions. Decisions taken locally are closer to many economic realities and better targeted to opportunities for productive investment, business development, enhanced skills, recycled land, improved infrastructure and other activities that add value and enhance long-term growth and development prospects. It is often easier to encourage different stakeholders to cooperate at this level because their common interests are more apparent. Harnessing the active participation and energy of communities has most potential at this scale. The integration of social, economic and environmental aspects of development can also be simpler because the need for coordination is more apparent and bureaucracies tend to be smaller.

References


**Further reading**

**Rising inequality globally**


**The damaging social consequences of inequality**


**Employment as a route out of poverty**
