Society at a Glance 2014 Highlights: UNITED KINGDOM OECD Social Indicators

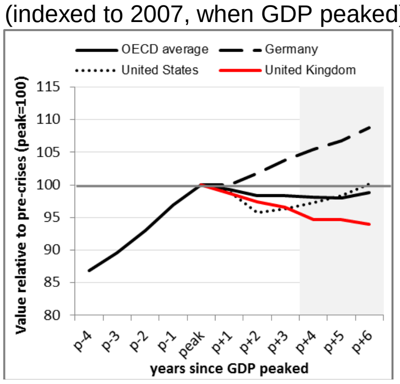
Social policies in the United Kingdom played a key role in protecting household incomes in the early years of the crisis. However, under mounting fiscal pressure, the government began to consolidate its budget and is reducing social spending. As consolidation continues, it is important to ensure that its costs do not disproportionately fall on the most vulnerable, including youth, whose inactivity and poverty rates have been rising since the onset of the crisis.

Social spending is expected to see squeeze in the face of fiscal pressure

With stagnant economic growth following the recession in 2008/09, social spending in the United Kingdom rose by 2.9 percentage points (pp) in the early years of the crisis between 2007/08 and 2009/10, more than the OECD average increase of 2.5 pp. As in other countries, spending increases in the United Kingdom were partly driven by automatic stabilisers that provided timely income support as unemployment rose and incomes fell. For instance, spending on safety-net assistance benefits doubled and spending on family cash transfers increased by 10%.

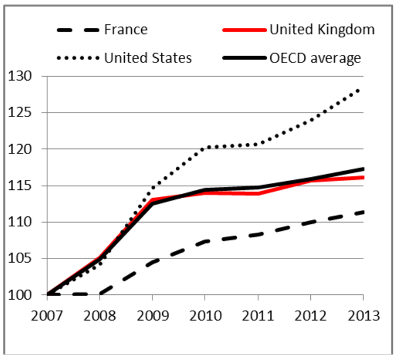
But with growing fiscal pressure, and the policy reforms that followed, total social spending is expected to fall. Between 2013 and 2015, fiscal consolidation is projected to intensify compared to the past two years and reductions in social spending are part of these planned efforts.

Panel A. Continuing fall in employment incomes
Change in real wage bill
(indexed to 2007, when GDP peaked)



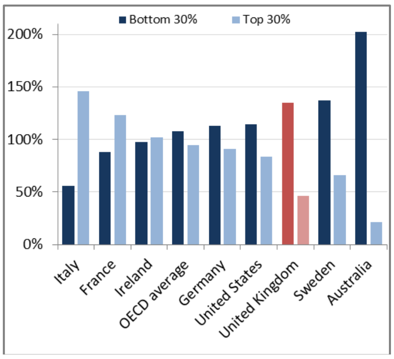
[Figure 1.1.xls]

Panel B. Change in real social spending (2007=100)



[Figure 1.10.xls]

Panel C. Targeted cash transfers
Amounts received by low and high-income groups, % of average



[Figure 1.18.xls]

Labour-market problems despite more stable employment than in other crisis-hit countries

As in many other OECD countries, labour-market conditions in the United Kingdom deteriorated with the start of the economic crisis. Employment losses were smaller than in other crisis-hit countries, but unemployment increased by 2.5 pp between 2007 and 2013, and the proportion of people in involuntary part-time work rose by 2.2 pp -- the 4th largest rise in the OECD. Wages also fell more strongly than in other countries and income from employment is projected to continue falling for some time (see graph panel A).

These labour-market difficulties were not shared equally. The poverty rate among youth has increased dramatically: by 3.9 pp between 2007 and 2010 compared to an OECD average of 1.6 pp. Combined with higher youth unemployment (an increase of 6.6 pp between 2007 and 2013) this important transition period from education to work requires special attention. The government has already implemented certain strategies for youth not in employment, education or training (such as the Youth Contract provision). Such programmes will need to be maintained and developed for the foreseeable future as high NEET rates persist.

The targeted nature of cash benefits in the United Kingdom means that cuts are more likely to hurt the poor than in other countries

The benefit system in the United Kingdom is more strongly targeted towards supporting low-income groups than in most other OECD countries. Targeted benefits provide cost-effective counter cyclical support during economic downturns, especially for the poor. Overall, social transfers received by low-income families (the "poorest" 30%) in the United Kingdom were one third higher than the average benefit payment, and almost three times the benefits received by high-income earners.

But with most benefits received by low-income families, cutting cash transfers without hurting the poor is more difficult in the United Kingdom than in other countries. For instance, low-income groups generally see bigger income losses from across-the-board cuts in the form of incomplete or delayed benefit adjustments. The same is true for reductions in service budgets, targeted or otherwise, when these result in public service cuts (e.g. in the Sure Start programme through reduction in local authority budgets). Budget adjustments for these programmes should be based on a careful review of their distributional implications.

Maintain important areas of social spending to protect the vulnerable

Experience from earlier recessions suggests that there is a risk that many families could remain partly of fully dependent on benefits for extended periods of time. In light of the ongoing roll-out of the Universal Credit scheme, and efforts to make work pay, the United Kingdom should carefully monitor whether cuts in social spending will affect the most vulnerable in society. Policies which help stabilise incomes (e.g. child and working tax credits) may need to be protected from such cuts whilst reforms continue.

Freezing or capping benefit levels and changing the way benefits are adjusted over time means that living standards of people more dependent on benefits will fall relative to the rest of the population. This might entrench poverty for families who depend on income support. As benefit reductions cumulate over time, it could also partly reverse progress made over the past decade in reducing child poverty, and create a need for costly social interventions in the future.

Public perception of governance and consolidation

Overall trust in national government appears to have increased between 2007 and 2012 in the United Kingdom, while it fell in many other OECD countries. Yet, according to a 2013 survey, some 70% of respondents in the United Kingdom favoured maintaining or increasing spending on the welfare state despite fiscal pressures. This highlights the difficult task of maintaining essential social support amidst overall spending cuts, and the need for fiscally and socially efficient use of reduced fiscal space.

Scoreboard: selected social indicators
(Click on indicator for full data and information)

	Pre-crisis			Latest year		
	United Kingdom	**EU**	**OECD**	**United Kingdom**	**EU**	**OECD**
Annual disposable household income						
in national currency, latest year prices						
Average	**20 400**	..	..	**19 900**	..	..
Bottom 10%	**5 500**	..	..	**5 300**	..	..
in USD, latest year PPPs and prices						
Average	**29 000**	22 900	23 100	**28 200**	22 900	23 100
Bottom 10%	**7 800**	7 900	7 300	**7 600**	7 700	7 100
Total Fertility rate	**1.96**	1.63	1.75	**1.97**	1.59	1.70
Unemployment rate (%)	**5.4**	6.6	5.9	**7.9**	11.1	9.1
Youth neither in employment, education nor training, NEET rate (%)	**11.6**	10.7	11.5	**13.5**	12.7	12.6
Income inequality:						
Gini coefficient	**0.341**	0.288	0.313	**0.341**	0.291	0.313
Gap between richest and poorest 10%	**9.8**	6.9	9.2	**10.0**	7.4	9.5
Relative poverty (%)	**11.3**	9.2	11.2	**10.0**	9.4	11.3
Share of people reporting not enough money to buy food (%)	**9.8**	9.5	11.2	**8.1**	11.5	13.2
Public social spending (% GDP)	**21.0**	22.5	19.6	**23.7**	25.1	21.9
Suicide rates, per 100 000 population	**6.3**	12.5	12.5	**6.7**	12.2	12.4
Health expenditure per capita (latest year USD PPPs)	**3 200**	3 100	3 100	**3 400**	3 200	3 300
Confidence in national government (%)	**38**	50	49	**48**	41	43
Confidence in financial institutions (%)	**63**	65	63	**38**	43	46

Unweighted average of the 21 EU and 34 OECD countries.

from OECD Employment database
from OECD Income Distribution Database
from OECD Social Expenditure Database (SOCX)
from OECD Health Data

See also:

- **How does your country compare: data visualization**
- **Executive summary: in your language**