

# The distributional impact of the 2010 Spending Review

*Howard Reed and Tim Horton*

**The presentation given at the Radical Statistics Conference on 26<sup>th</sup> Feb 2011 is summarised by Larry Brownstein.**

It is probably best to begin with the conclusions and then follow these with evidential substantiations. Reed and Horton conclude the following concerning the government's financial cuts to public services.

- Impact of Comprehensive Spending Review (CSR) on household living standards appears to be very regressive under reasonable assumptions about how the benefits of public spending are distributed
- Poorest are hit 15 times harder than the richest if you measure changes as a proportion of income
- Poorest are hit 5 times harder than the richest if you measure changes as a proportion of income *plus* the value of public spending received
- Families with children and single pensioners are hit hardest in percentage terms (due to education and social care cuts respectively )

They follow these with statements about data that imply that the public is confused and in disagreement about both whether the cuts are necessary and who is ultimately to blame for their current implementation.

- Immediately after the June 2010 Budget 45% of YouGov respondents thought cuts were being done fairly
- By February 2011 this had shifted to 62% thinking the cuts were unfair (net -22)
- 50% of voters also thought cuts were too deep by Feb 2011
- 51% also think cuts are bad for the economy (only 34% think they are good)
- However, 55% think cuts are necessary (33% think they are unnecessary)
- 49% blame Coalition for the cuts, 65% blame Labour (24% blame both)

As the title suggests, the analysis concentrates on the distribution of the cuts rather than on whether they are necessary and whether Labour or Conservatives are to blame for their infliction. The authors

demonstrate that their data shows clearly that the cuts are very unevenly distributed with the worst affects falling on the most vulnerable. Certainly, the effect of the cuts is inversely proportional to income as shown in Figure 1, thereby contradicting the dictum that “we are all in it together”, that is, that we are all equally affected.

Note that in all figures, the vertical scale shows negative impact, i.e. the more negative the more severe the effect.

**Figure 1**

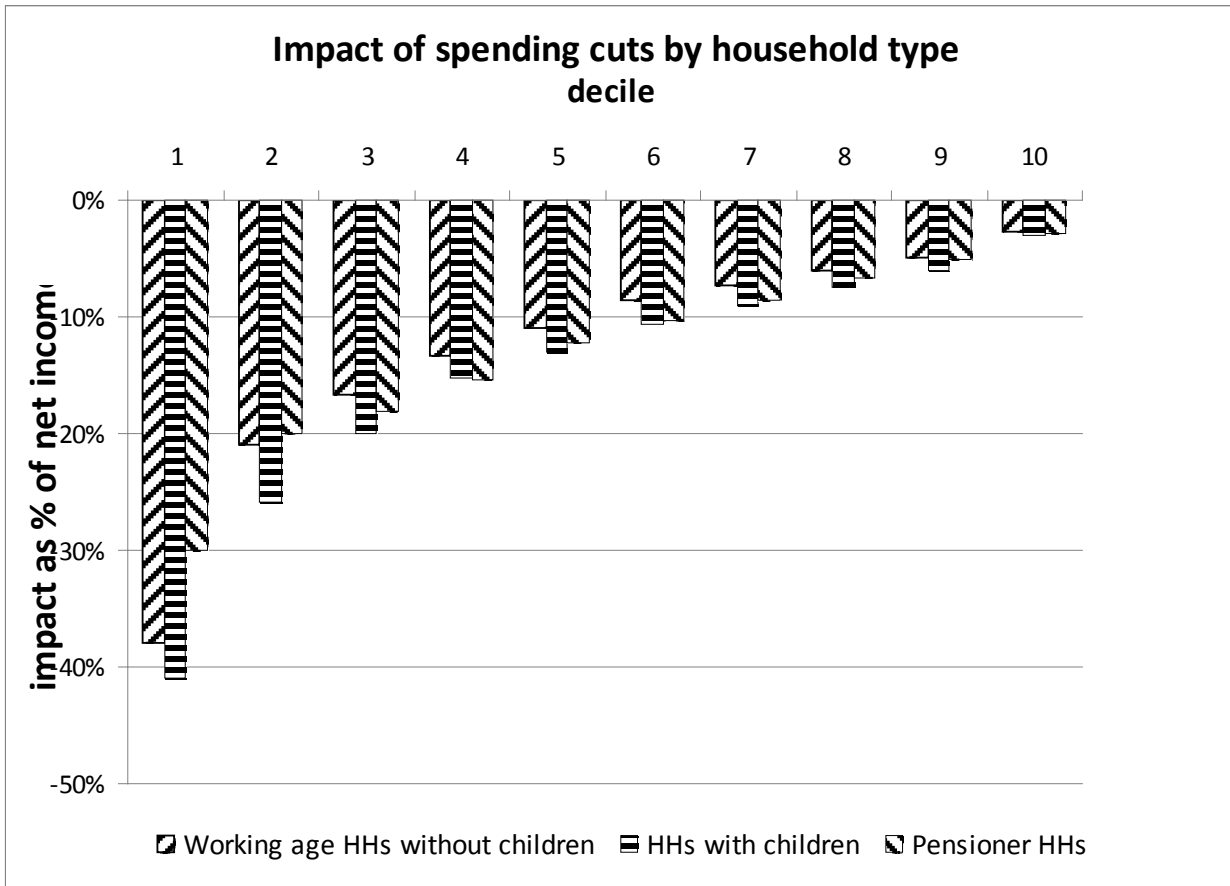
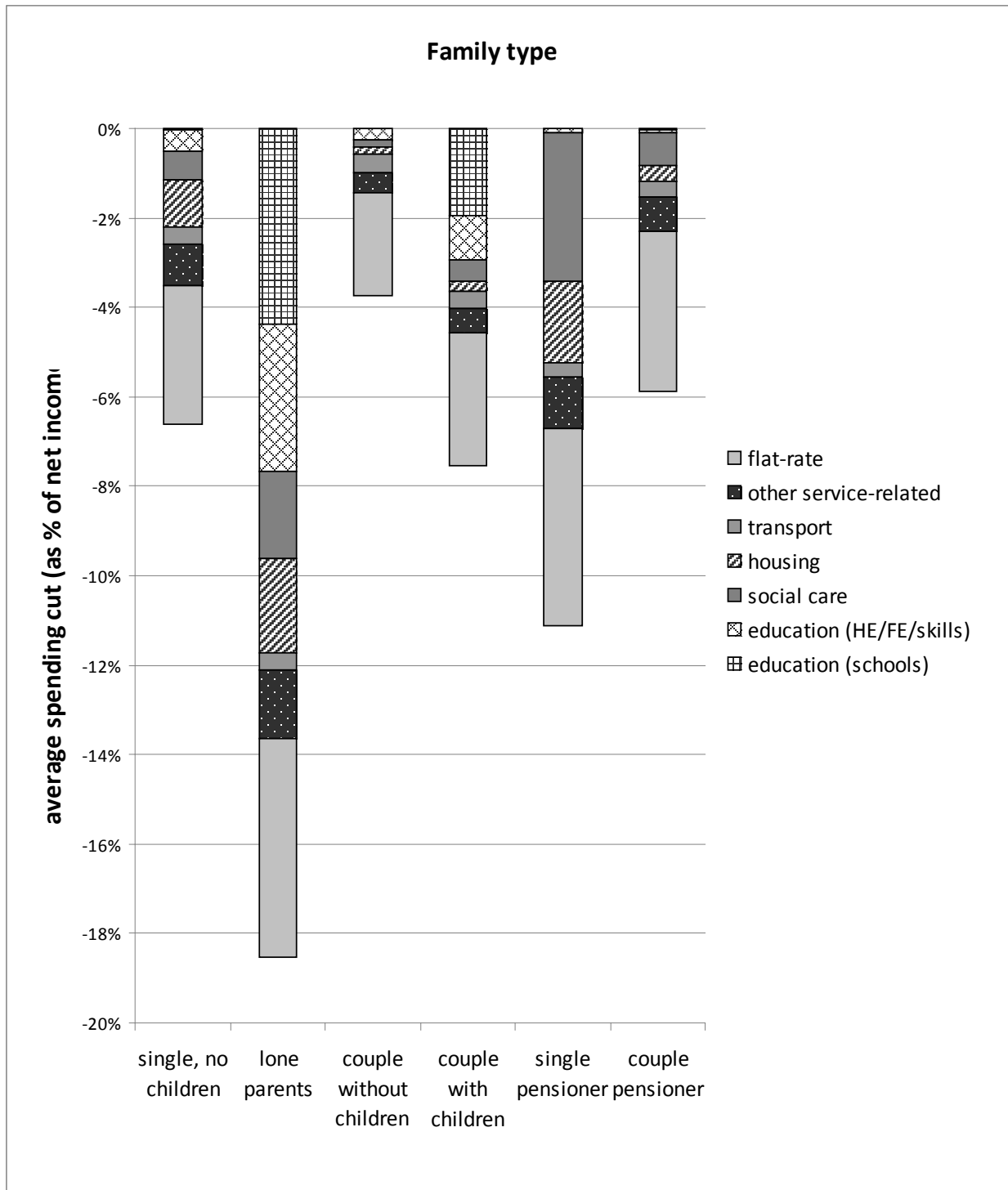


Figure 1 also shows that poorer families, especially those with children, are badly affected, but single parent families suffer the worst as shown in Figure 2.

Table 1 lists the severity of spending cuts in social services, with the effects shown in Figures 2 and 3.

**Figure 2**

**Effects of spending cuts by family type,  
as % of net income, all services**



All types of household are affected, but lone parents and single pensioners suffer the worst.

The cuts are worst in the following social services.

**Table 1**

### Spending cuts by service – our assumptions in harder cases

Mainly these are where large portions of expenditure are devolved to local authorities:

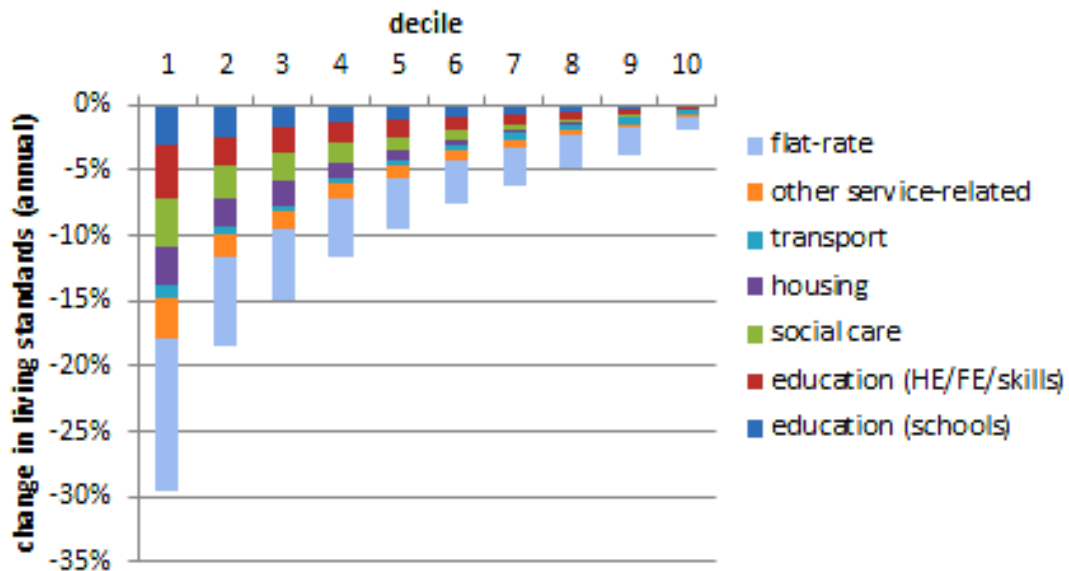
Social care -20%  
 Social housing -24%

Or where funding is only part of a departmental settlement:

Policing -20%  
 HE/FE, adult education -27%

**Figure 3**

### Effects of spending cuts by income group: as % of net income, all services



**Table 2.**

The table lists predicted spending reductions over major public spending areas.

<b>Service</b>	<b>Change in real terms spending by 2014-15 (%)</b>
Health	0
Education (schools)	-10
Education (higher, further, adult skills)	-27
Social care	-20
Social housing	-24
Transport	-15
Policing	-20
Other categories where we allocate according to service use (average)	-18
Defence	-8
Other collectively provided services (average)	-18

As mentioned, the hardest hit services are education, social care, social housing, and the police, but note that the 0% estimate for health is misleading, as Horton and Reed are aware. Note that there has been a great deal on misinformation on funding for health services from the government.

Those that are less well off will be most affected by public spending reductions, being more dependent on socially provided services like social care, housing and education, yet not able to pay for services provided in the private sector. Nor should they have to. Horton and Reed believe that these provisions provide a public service that serves the community as a whole, which it will cease to do if taken over or dominated by the private sector.

The Reed and Horton data show conclusively, and this is supported by independent studies, that the distributional impact of the financial cuts, far from being equally distributed are in fact allocated inversely to income. Reed and Horton contend that while the public are not fooled by government claims concerning the distributional impact of these cuts, people differ about how necessary they are and what to do about them.

*Howard Reed,  
Landman Economics  
[howard@landman-economics.co.uk](mailto:howard@landman-economics.co.uk)  
Tim Horton,  
Special Advisor to Ed Miliband*

## **Editors' Addendum**

While the well-off can survive - should they choose they can avoid dependence on social care, housing, and education – the poor cannot.

What is more, the CSR cuts are economically unnecessary. The government's argument that they are needed to reduce the public deficit is a sham. Information summarized in Table 3 on the next page shows that the government is either arguing mendaciously or deluding itself.

Supplementing what Reed and Horton presented at the conference, further data shows the differential effects of the health cuts. Indeed, if you compare the cuts to health authorities from better off areas of the country with those from economically more disadvantaged areas, you find that the so-called cuts are not cuts at all but nothing more than a **redistribution** of financial resources from the economically disadvantaged to the economically advantaged.

**Table 3**

**Effect on 2011/12 PCT and SHA closing target allocations  
resulting from changed health inequalities weight from 15% to  
10%  
in order of size and direction of effect.**

<b>Regional SHA</b>	<b>2011-12 closing target DFLE at 15% £000's</b>	<b>2011-12 closing target DFLE at 10% £000's</b>	<b>Change £000's</b>	<b>Change %</b>
North East	4,857,390	4,756,665	<b>-100,725</b>	<b>-2.1</b>
North West	12,630,092	12,438,489	<b>-191,603</b>	<b>-1.5</b>
Yorkshire and the Humber	8,866,143	8,778,827	<b>-87,315</b>	<b>-1.0</b>
East Midlands	7,098,452	7,078,462	<b>-19,991</b>	<b>-0.3</b>
West Midlands	9,138,964	9,082,381	<b>-56,582</b>	<b>-0.6</b>
East of England	8,697,015	8,834,356	137,342	1.6
London	13,146,060	13,104,418	<b>-41,642</b>	<b>-0.3</b>
South East Coast	6,574,146	6,705,458	131,312	2.0
South Central	5,831,764	5,955,692	123,928	2.1
South West	8,156,058	8,261,334	105,276	1.3
North	42,591,040	42,134,824	<b>-456,216</b>	<b>-1.1</b>
South	42,405,042	42,861,258	456,216	1.1

Source: Public Health Manchester analysis of DH exposition book Appendix I

**Reference**

[http://fullfact.org/sites/fullfact.org/files/2011/08/Manchester\\_Evidence\\_Public\\_Health\\_Select\\_Committee.pdf](http://fullfact.org/sites/fullfact.org/files/2011/08/Manchester_Evidence_Public_Health_Select_Committee.pdf)

Memorandum for the Health Committee Inquiry into Public Health,  
Public Health Manchester, NHS Manchester, Manchester City Council.  
Contact: John Hacking, Senior Research Officer,  
Public Health Manchester (formerly the Manchester Joint Health Unit)  
Manchester City Council P O box 532, Town Hall, Manchester, M60  
2LA