

ENDING CHILD POVERTY: WHAT IS HAPPENING IN THE UK?

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The New Labour Government, led by Prime Minister, Tony Blair, has pledged itself to end child poverty by the year 2019. This brief paper:

1. puts this pledge into context;
2. describes how the priority given to the eradication of child poverty has been justified by the government;
3. sets out the policy measures adopted and summarises the indicators of impact that exist so far.

I. The Context

New Labour came to power in 1997 following two decades of neo-liberal Conservative rule. Conservative policy had been committed to reducing taxation and public expenditure, although high levels of unemployment and worklessness meant that spending on social security, in fact, increased. In broad terms the Conservatives pursued a strategy that involved a low-wage economy; a flexible labour market; increasingly targeted and means-tested benefits; and more in-work benefits. They refused the idea of a minimum wage (shortly to be implemented by New Labour) because of the threat it was believed to pose to the creation of low paid jobs. Most of the Conservatives' policy ideas were imported from the US (Marmor and Plowden, 1991). As in the US, but unlike the rest of continental Europe, lone mothers became the main targets of the Conservative crusade against the 'dependency culture', supported by much of the press.

The Conservatives presided over a massive increase in poverty and inequality. Between 1979 and 1996/7, official statistics showed that the proportion of people living in households below 50 per cent of average income (commonly taken as a poverty line) rose from 9% to 24%. Particularly dramatic were the figures on child poverty, showing an increase from one in ten to around a third. These figures are very high by international standards so that the UK now has one of the highest child poverty rates in the industrialised world. In 1974, 6.4 per cent of all under-16 year olds relied on means-tested social assistance; by 1994 one quarter did so. The percentage rise for younger children was even greater, from 6.6 per cent to 29.1 per cent.

Hills' (1995) research on inequalities in income and wealth showed clearly that only New Zealand exceeded Britain in the growth of inequality. Official figures show that between 1979 and 1996/7, the incomes of the poorest 10 per cent decreased by 9% in real terms, despite an overall growth in real income of 44%. Thus greater means testing and targeting did not seem to have helped the relative position of the poor, as is generally the case (see, for example, Korpi *et al.*, 1998; Cantillon, 1998).

Despite this inheritance, fearing the effects of its 'tax and spend' image on the electorate, New Labour promised to keep to the Conservatives' spending limits for the first two years. It also promised not to increase income tax rates, which had been cut significantly under the Conservatives. This was seriously to hamper its capacity

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to address the run-down state of public services, particularly health, education and transport.

During the first year in office, therefore, there was a high level of continuity with previous Conservative policies. The case of policy towards lone parent families exemplifies this continuity. One of the earliest policy decisions the new Government faced (in the autumn of 1997) was whether to reverse the Conservatives' decision to phase out the modest additional benefits for lone mothers. It decided not to do so, to the consternation of many backbench Labour Party MPs and others. This was a decision of great symbolic and strategic importance. The Party did not wish to be perceived so early on as reverting to 'old Labour type' by simply raising benefits, which might increase Middle England's fear of increased taxes to follow. It also wanted to put in place a new strategic relationship between paid work, welfare payments and taxation, which a simple increase in benefit levels would undermine. The decision to go ahead and abolish lone parents' benefits was viewed with horror by many traditional Labour supporters, but confirmed for those voters who had switched over from the Conservative Party that this Labour Government was indeed different from previous Labour administrations.

The March 1998 Budget which followed, however, marked the first phase in a series of improvements to benefits for children discussed in Part III. These measures effectively made good the effect of the cuts in benefits for lone parents with young children. The outcry had had an effect. Indeed, the Budget was redistributive, but was not sold publicly as such.

Overall, New Labour has accepted the fact of the low wage, flexible labour market that was created by the Conservatives (tempered by New Labour's introduction of a national statutory minimum wage), and has sought to construct a new model for social provision around it. This involves substantial investment in human capital via the National Health Service, state education and training, albeit that the bulk of the monies was not delivered until late in 2000. It also involves a new approach to the tax/benefit system that involves measures to encourage the move from 'welfare to work' and to make work pay (see part III). In many respects, therefore, the UK looks increasingly like the US, especially with regard to the use of tax credits and the emphasis on getting people into employment. However, in many significant ways the two countries remain very different. The UK retains state welfare payments for able-bodied adults; it has not made welfare time-limited; and the reach of its tax credit system is much wider. The promise to eradicate child poverty, discussed in the next section, is perhaps the clearest policy highlighting the differences rather than the similarities between the two countries.

II. The Policy Pledge

Under the Conservatives, the word 'poverty' had been deleted from the official policy vocabulary. The New Labour Government did acknowledge the scale of poverty and the problems it caused, but initially it preferred to use the term 'social exclusion'. It quickly established a Social Exclusion Unit charged with helping to break the vicious circle created 'when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown' (Social Exclusion Unit, 1997).

The early focus on social exclusion meant that the lack of money associated with poverty as such tended to be downplayed. However, in 1999 poverty, and in particular child poverty, was put firmly on the political agenda. On 18 March, Prime Minister Blair delivered a major lecture on the future of the welfare state- the Beveridge Lecture (after the architect of the post-war welfare state, William Beveridge). In it he sketched out a vision of a 'modern popular welfare state'. He set out 'our historic aim that ours is the first generation to end child poverty forever, and it will take a generation. It is a 20-year mission but I believe that it can be done' (Blair, 1999). Blair cited evidence about the damaging impact of child poverty and drew on arguments that emphasised children as an investment:

'We have made children our top priority because, as the Chancellor memorably said in his Budget, "they are 20% of the population but they are 100% of the future'.

'We need to break the cycle of disadvantage so that children born into poverty are not condemned to social exclusion and deprivation. That is why it is so important that we invest in our children' (Blair, 1999).

Around the same time, the Treasury (the finance ministry) published a document, *Tackling Poverty and Extending Opportunity*, which emphasised the impact of poverty on children's life chances and opportunities. It demonstrated how 'disadvantages in childhood frequently leads to disadvantage in adult life and that increasing numbers of children are growing up in disadvantaged families' (HM Treasury, 1999a, p26). It argued that 'lack of opportunity is of most concern when it persists between generations: when people's life chances are determined by who their parents were rather than their own talents and efforts' (HM. Treasury, 1999a, p31). It declared that 'the Government attaches the highest priority to supporting families with children, tackling the causes of childhood poverty and ensuring that all children have the opportunity to succeed' (HM Treasury, 1999a, p34).

Subsequent Treasury documents have developed these themes further. For instance, in November 1999, *Supporting Children through the Tax and Benefit System* focused more specifically on children. This document introduced an interim pledge to halve child poverty within a decade. It started with the words that 'the Government's aim is for every child to have the best start in life' (HM Treasury, 1999b, p1). It demonstrated how 'children have not had an equal share of the growth in incomes over the last 20 years' (HM Treasury, 1999b, p5).

Although the pledge to end child poverty was made by Prime Minister Blair, much of the policy impetus has come from the Treasury under the Chancellor, Gordon Brown. This is an unusual role for the Treasury, which traditionally has focused on taxation and macro-economic policy and on regulating the expenditure of other government departments. It suggests a broader understanding of the meaning of investment, i.e. the importance of investment in 'human capital' alongside more traditional forms of economic investment.

In an article for the journal of the Child Poverty Action Group (CPAG)², Brown wrote:

² The Child Poverty Action Group is the leading independent anti-poverty organisation in the UK. Ruth Lister is a former Director of CPAG.

Child poverty is a scar on Britain's soul. It is simply unacceptable that millions of children should start their lives in families where no-one works or where they are caught in the poverty trap, in poor housing, under-nourished, and condemned to sub-standard education and healthcare. That is why Tony Blair has said that we will not rest until we have banished child poverty from the face of Britain. We are determined to give every child the best start in life. It is essential that we address the causes of poverty and provide support where and when it is most needed. We must give all our children the opportunity to achieve their hopes and fulfil their potential. By investing in them we are investing in our future. We cannot leave behind those least able to help themselves.

The article concluded:

But abolishing child poverty should not just be the aim of the Government – it should be the aim of everyone. That is why this has to be a partnership between all of us. We all want to tackle child poverty. So let's do it and give all our children the best possible start in life (Brown, 1999, pp8 & 10).

In a speech to a conference on child poverty organised by CPAG Brown said:

You should take pride that your concern – child poverty – and your driving ambition – the eradication of child poverty – once written off as the goal of dreamers, for many years a call for justice unheard in a political wilderness – is the ambition not just of your organisation but now the ambition of this country's Government. Action on child poverty is the obligation this generation owes to the next: to millions of children who should not be growing up in poverty; children who because of poverty, deprivation and the lack of opportunity have been destined to fail even before their life's journey has begun, children for whom we know – unless we act – life will never be fair. Children in deprived areas who need, deserve and must have a government on their side, a government committed to and fighting for social justice. And we must not forget that poverty – above all the poverty of children – disfigures not just the lives of the poor but all our society.....We need to understand that these children are not just someone else's children and someone else's problem – they are the children of our country, the children of us all. And if we do not find it within ourselves to pay attention to them as young children today, they may force us to pay attention to them as troubled adults tomorrow. So it must be the government's objective to ensure that no child will go without help, that every child is included, that every child will have the chance to make the best of their lives, that we will never allow another generation of children to be discarded.....Our starting point is a fundamental belief in the equal worth of every human being, and our duty to help each and every one develop their potential to the full: for all children and all adults ---to help them bridge the gap between what they are and what they have it in themselves to become(Brown, 2000c).

The Chancellor also indicated the need for a broad coalition or 'alliance for children' to take part in what he has called 'a crusade' against child poverty. He described this as 'a movement based on faith in the future, a crusade for nothing less than the kind of society our children will inherit' (Brown, 2000c). Two more recent speeches give a further flavour of his ambitions and the motivations driving the commitment:

'Our country's future lies with the hopes, dreams and potential of our children...Yet we know that a child who grows up in a poor family is less likely to reach his or her full potential, less likely to stay on at school, or even attend school regularly, less likely to get qualifications and go to college, more likely to be trapped in a low-paid job or no job at all, more likely to reproduce the cycle of deprivation in childhood, exclusion in youth and disappointment which is life long. So it must be the Government's objective to ensure that no child is left behind, that every child should have the best start in life, that we never allow another generation of children to be discarded and so abolish child poverty in a generation, recognising that tackling child poverty is the best anti-drugs, anti-crime, anti-deprivation policy for our country' (Brown, 2000a)

'In the year 2000, we share a moral duty to end the scourge and tragedy of child poverty in our society. It is a duty we as citizens owe to each other' (Brown, 2000a).

'As long as there is child poverty, there will be a scar on Britain's soul. Let us never again have parts of Britain where there are children without nutrition, living in homes without heat, attending schools without proper books, in inner cities without hope. Children endless watching TV adverts of possessions they can see but never afford to buy – spectators in the race of life rather than likely to be its success stories' (Brown, 2000b).

I want us to be the generation that took millions of children out of poverty and created a society where everyone has the chance, so long denied, to make the most of themselves and their talents and realise their potential to the full' (Brown, 2000b).

It is an ambitious agenda that goes to the heart of the Government's vision of the kind of society it wishes to build. It is backed up by annual monitoring reports, entitled *Opportunity for All*, which set out the progress made. The first, baseline, report was published in 1999. It sets out as the Government's goal that 'everyone should have the opportunity to achieve their potential. But too many people are denied that opportunity. It is wrong and economically inefficient to waste the talents of even one single person' (DSS, 1999, p1). In addition to detailing the risk factors, which 'increase the likelihood that disadvantaged children will fare worse in later life', the report addresses the fact that 'children in low income families tend to have lower aspirations and expectations for their future'. It states that 'we want to tackle this poverty of ambition...And we need to ensure that all children aspire to fulfil their full potential (DSS, 1999, pp44-5).

The Second Report continues with the theme of opportunity. The Secretary of State for Social Security begins his Foreword with the declaration that 'A fair and decent society is one where nobody is held back by disadvantage or denied opportunity. We were elected to put that vision into practice' (DSS, 2000, pix).

III Policies and indicators of progress

The policies adopted to tackle child poverty include both direct measures (e.g., increases in benefit rates) and indirect measures (e.g. policies to promote

employment among parents and so improve family income). Table 1 summarises the key measures.

Table 1: ending child poverty - key policy measures

Direct support for children	
<i>Increases in financial support</i>	Higher rates of benefits New tax-based support Reform of Child Support
<i>Targeted programmes</i>	Sure Start The Children's Funds Educational Maintenance Allowances Connexions On Track
Encourage parental employment and 'make work pay'	
<i>Support employment</i>	New Deal programmes to support individuals into work Improved Maternity Rights and right to parental Leave Improved rights for part-time workers National Child-Care Strategy New Deal for Communities/Employment Zones
<i>Make work pay</i>	The National Minimum Wage Working Families Tax Credit Lower starting rates of tax and national insurance contributions Increased earnings disregards for part-time work for lone parents and disabled people

Looking in more detail at the child measures:

Higher rates of benefits - there have been significant increases in benefit rates for children of non-working parents, for children of parents in low-paid work, and for children in general. The level of increases for the first child are shown in Table 2 (note second and subsequent children get slightly less), which gives the annual amounts of support. Benefit increases for children have been substantially above the rate of inflation, giving a real income boost for all family types.

Table 2: Annual rates of financial support for first child, 1997 and 2001

Family receiving:	1997	2001	% increase
Income Support	£1456	£2392	64%
Family Credit/Working Families Tax Credit (maximum)	£1248	£2600	108%
No benefits, paying standard rate of tax	£ 572	£1248	118%
No benefits, paying higher rate of tax	£ 572	£ 806	41%

Source: derived from HM-Treasury (2000) Chart 5.1

New tax-based support - The Working Families Tax Credit is payable to families where a parent is in employment for more than 16 hours per week, with earnings below a certain level, based on family size. It includes a 'child care tax credit' which contributes towards the costs of registered childcare. The Children's Tax Allowance will come into effect from April 2001 and will reduce tax bill for families with earnings above the tax threshold. It will be worth a maximum of £442 per family for standard rate taxpayers. Higher rate taxpayers will have payments reduced by £52 for every £780 of income liable for the higher rate of tax. From 2003, both of these (and the children's rates of social assistance) will be combined into one single 'integrated child credit'.

Reform of Child Support - From 2001, measures will be introduced which are intended to increase the number of families receiving child support, although the amounts per family may well be lower. There will be a simplification of the formula and more streamlined administration. Child support payments are ignored in the calculation of Working Families Tax Credit, thus providing a further boost to income for working parents. And for the first time lone mothers on social assistance will be allowed to keep the first £10 of the payment.

Sure Start - In 250 areas, managed by voluntary and statutory agencies in partnership, with a budget of £450 million per annum rising to £500million in 2003/4. Inspired by the American Head Start program, it aims to promote the physical, intellectual and social developments of pre-school children, to equip them for starting school. Currently reaches about 18 per cent of poor pre-school children and aims to reach one third by 2003/4. Services provided include outreach and home visiting, support for families and parents, play, childcare, primary health care, community health care, and advice about child health and child development, support for special needs, and access to special needs services.

The Children's Funds - worth £450 million over three years. The majority of the Fund will be targeted on preventive work with children (primarily in the 5 to 13 age group) and their families, helping them before they hit crisis; £70 million of the Fund will be

distributed directly to local community groups through a network of local funds, administered by the voluntary sector.

Educational Maintenance Allowances - For children aged 16 plus who attend full-time courses at school or college, £30-£40 per week, depending on parental income, paid during term time. Started in September 1999 in 15 pilot areas, will be extended to cover 30 per cent of the country and may eventually replace child benefit for this age group.

Connexions – to provide information, advice, guidance and access to personal advisers for all young people aged 13 to 19.

On Track Aimed at reducing the risk factors that link young people with future criminal behaviour. An initial £27million will fund 20-30 pilot projects, which will include pre-school education, parent support and training, family therapy, home visits and home/school partnerships.

Indicators of impact

The information available mainly refers to the financial measures, although the DSS (2000) also reports that the number of children reaching expected numeracy standards at age 11 has increased from 54 per cent in 1996 to 72 per cent in 2000 and school exclusions have fallen by 15 per cent between 1997/8 and 1998/9. As noted above, there have been substantial increases in benefits. These have brought families with children receiving social assistance (i.e. income support or jobseekers allowance) much closer to a 'low cost but acceptable' budget standard, although there is still a shortfall, especially for two-parent families (Millar, 2001). There are about 1.1 million children in families receiving Working Families Tax Credit and they are receiving, on average, about £70 per week, which is about £30 per week more than under its predecessor (Family Credit). About 103,000 families are receiving the childcare tax credit. The proportion of children in workless households has fallen from 17.9% in spring 1997 to 15.8% in spring 2000, and there are 300,000 fewer children living in families receiving out-of-work benefits (DSS, 2000).

The average household with children has gained by £850 per year, with the highest gains (about £1500 to £1560) at the lowest two deciles (HM-Treasury, 2000). Hills (2000) compares the impact of the budget measures introduced since 1997 with what would have happened if benefits and taxes had simply been uprated for inflation and finds that low-income couples with children have gained between £1300 and £3000 per year.

Following the changes announced in the 2000 budget, the Treasury estimate that 1.2 million children will be lifted out of poverty by 2001 (based on a poverty line of 60 per cent of median household income). Piachaud and Sutherland (2000) make a similar estimate of the impact. However, as Hills (2000, p27) points out, these estimates of the impact on child poverty are on the basis of estimating 'a reduction in the numbers *compared to those if no changes had been made*'. They may not actually translate into such a fall in the numbers in poverty, which will also depend on what happens to market income, to employment levels, as well as on the achievement of high levels of take-up for these new tax credits.

The measures look to be on target to meet the goal of reducing child poverty levels by half in ten years (or sooner). That will leave around two million children still in poverty and further efforts will be necessary to reach these children. Nevertheless, the pledge to eradicate child poverty has been very important in guiding the significant policy changes described here. More resources are being transferred to families with children, using both direct and indirect measures. These are already having an impact.

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