

The child poverty strategy: what worked?

Over the past decade, the UK has embarked on an ambitious effort to end child poverty. Jane Waldfogel has tracked the progress of the initiative and reports on it in her new book, *Britain's War on Poverty*. Here, she provides some highlights of her study and suggests some next steps.

Ending child poverty?

In March 1999, Prime Minister Tony Blair made a remarkable pledge – to end child poverty. Shortly thereafter, Gordon Brown, then Chancellor and later Prime Minister, reiterated this pledge and set a further target of cutting child poverty in half in ten years. What steps did the government take to fulfill this pledge? How successful were they in reducing child poverty? And what steps must now be taken if the UK is to make further reductions in child poverty?

The UK anti-poverty initiative of the past decade was very ambitious. Besides reforms to promote work and make work pay that were similar to welfare-to-work initiatives in the United States, the UK measures also included increased unconditional financial support for families and investments in children. While not all of them worked as planned, together the package has been successful in reducing poverty and improving children's life chances. This article considers the three main components of the government's child poverty strategy and concludes that, overall, despite some problems, they can be considered a success.

Promoting work and making work pay

The first strand of the UK reform package was a set of measures to promote work and make work pay. At the centre of these work-focused reforms were a series of welfare-to-work programmes, collectively known as the New Deal. Although strongly influenced by evidence from the United States, unlike the approach taken there, the scheme aimed at single mothers (the

New Deal for Lone Parents) at its inception in 1997 was essentially a voluntary scheme that reflected the UK's more traditional attitudes about maternal employment, particularly when children are young. It was not until 2001 that lone parents began to be required to attend work-focused interviews, although even then they were not required to work or look for work. And it was not until 2008 that some lone parents – those whose youngest child had reached the age of 12 (now ten for existing claimants and seven for new claimants) – were required to work or look for work as a condition of receiving benefits.

To help make work pay, the government also introduced the national minimum wage in April 1999. Its initial value was 45 per cent of median hourly earnings, but it has been adjusted upward every year thereafter. By 2009, it was set at about 50 per cent of median hourly earnings (in contrast to the US minimum wage, which was about 40 per cent of median earnings in that year). Taxes were also reduced for low-income workers and their employers.

The government also introduced a new tax credit – working families tax credit – to replace the former family credit in October 1999 for couples with children or for lone parents who were working 16 or more hours a week (with higher benefits if they worked 30 or more hours). In 2003, working families tax credit was replaced by working tax credit, which was even more generous and included even more support for childcare costs.



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Did the UK reforms succeed in promoting work? The answer is certainly yes. Lone-parent employment increased by 12 percentage points – from 45 per cent to 57 per cent – between 1997 and 2008. This is an impressive increase, particularly considering that most of the reforms in this period consisted of ‘carrots’ (in particular, the measures to make work pay) rather than ‘sticks’ (such as work requirements). It is also impressive relative to the United States, where single-mother employment during welfare reform rose by a comparable amount (about 13 percentage points) from 1990 to 2000, but under a more punitive set of reforms.

Although it is difficult to separate the causal effects of the reforms from the effects of a strong economy, evidence suggests that the UK reform programmes were responsible for at least half of the growth in employment among lone parents, with the strongest effect on increasing the share of lone parents working at least 16 hours a week. The reforms also reduced the number of lone parents receiving benefits through the means-tested welfare programme for non-working families from 1,030,000 in 1997 to 740,000 in 2008, a reduction of over 25 per cent.

Taken together, the minimum wage and the more generous in-work supports (in particular, the increased tax credits and reduced taxes) substantially increased the income that the most disadvantaged families could expect from work, with particularly large gains for lone-parent families. For example, a lone parent working 30 hours a week at the minimum wage and claiming the available benefits and tax credits would have had a net income of £163.73 per week in 1998, equivalent to 101 per cent of the poverty line (for a family of her type in that year). By 2008, her net income under the same scenario would have risen to £348.04 per week, or 123 per cent of the now higher poverty line.

Increasing financial support for families with children

Secondly, the reforms included a set of measures to raise incomes for families with children, whether or not parents were in work, in recognition of the fact that there will always be some families in which parents are not able to work, whether temporarily or for a longer period of time, and that children will be at risk of poverty unless the government helps provide a basic income floor. Thus, as part of the anti-poverty initiative, child benefit levels, which had lost ground over time, were raised substantially starting in 1999, with particularly large increases

for families with young children who were seen as being the most vulnerable to poverty. At the same time, income support amounts for families with the youngest children were raised, again to address the needs of what was seen as the most vulnerable population.

To further strengthen the safety net for families with children, the government also introduced a new tax credit for low- and middle-income families with children, which was phased in over time. Initially launched as the children’s tax credit in 2001, it was replaced with the integrated child tax credit in 2003. Since all but the highest income families are eligible for it and it is not conditional on parents’ work, child tax credit reaches about 80 per cent of families with children. And, to address shortfalls in assets (as well as income), the government introduced child trust funds, to give children some assets to access when they become adults.

Investing in children

Investments in children were also emphasised as a way of addressing the intergenerational effects of poverty and reducing poverty in the next generation. The period of paid maternity leave was doubled to nine months (with the goal of extending it to 12 months), and paid paternity leave (two weeks) was introduced. As part of a national childcare strategy, universal pre-school was rolled out first for four-year-olds, and then for three-year-olds.

Schools were also directed to become ‘extended schools’, opening their doors to provide before- and after-school care. Childcare assistance for working families was expanded, and legislation was enacted, making clear that local authorities (in England) had a responsibility to provide adequate childcare for those families wishing to use it. Parents with young children were given the right to request part-time or flexible working hours, a right that is now being extended to parents with older children. Infants and toddlers in the poorest areas benefited from Sure Start, along with new pre-school programmes for disadvantaged two-year-olds.

In addition, a series of measures to improve education was implemented. Class sizes were reduced in primary schools, and additional teachers and teacher aides were hired. National literacy and numeracy strategies directed teachers to spend at least an hour a day on reading and an hour a day on maths. A decade on, not only have test scores risen, particularly for primary school children, but gaps in achievement between low- and high-income



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children have narrowed. Later efforts focused on older children, through improvements in secondary schools and measures to persuade more young people to stay on at school (including raising the minimum school-leaving age), and progress has been seen there as well.

Together, these anti-poverty initiatives reflected a very sizable investment in children, with the additional benefits disproportionately going to the lowest income children. By April 2010, the average family with children was £2,000 a year better off. Families in the bottom fifth of the income distribution were £4,500 a year better off.

The impact on child poverty

So, how successful was the anti-poverty campaign in reducing child poverty? Answering this question is complicated by the multiple ways in which child poverty is measured. The UK uses three official measures of poverty. Two are measures of income poverty, while the third is a measure of material deprivation.

When Blair declared war on poverty in 1999, 3.4 million children – one in four children in the country – were in poverty, using both the absolute and the relative measure of income poverty. But trends after 1999 depend on which measure is used. Absolute poverty (using the official government measure tied to living standards in 1998/99, up-rated only for inflation) fell by 50 per cent (1.7 million) by 2007/08. In contrast, relative poverty (using the official government measure of 60 per cent of contemporary median income) fell by 15 per cent (500,000 children) by 2007/08.

Why do the two measures tell such a different story? The main reason is that the relative poverty measure is affected by changes in the income of the median family in the country. If that family's income increased, as it did over this decade, the relative poverty line also moves up, leading to higher poverty rates unless incomes of families at the bottom increase as fast. The fact that absolute poverty plummeted, while relative poverty fell less sharply, means

that the incomes of families at the bottom did rise, but not as fast as the incomes of families in the middle.

Statistics on the third measure – material deprivation – help shed some light on how meaningful the gains in income for families at the bottom were. These show sharp and sustained decreases in material hardship and financial stress for the most vulnerable families over the decade. The income gains for the poor may not have been large enough to close the gap with the families in the middle, but they did result in meaningful improvements in living standards.

Although it is hard to know with certainty what would have happened in the absence of the reforms, the weight of the evidence suggests that these reductions in poverty were due to government efforts. Moreover, the evidence also suggests that if the Government had not undertaken the anti-poverty campaign, child poverty, particularly if measured in relative terms, would have increased during the past decade. This can be seen in poverty trends for other European countries, many of which experienced either constant or increasing child poverty over the same period when the UK saw declines in child poverty. These patterns strongly suggest that overall inequality was increasing over the period and would have led to higher rates of relative child poverty in the UK had the child poverty effort not been undertaken. Seen from this perspective, the UK record on reducing child poverty is pretty impressive. And there is also evidence that the reforms increased family expenditure on items for children and led to improvements in children's and adolescents' wellbeing.

Making further progress

Although the reforms were enormously successful, they did not succeed in ending child poverty. So what needs to be done next?

Clearly, the answer to this question will depend on the political, as well as the economic, context. Nevertheless, in thinking about next steps, the natural starting point is to understand which children are poor and which specific factors place certain children at an elevated risk of poverty. In *Britain's War on Poverty*, I present data on the demographics of poverty and then discuss policies Britain should adopt to address the challenges inherent in those demographics.

The demographic data indicates that half of poor children in Britain live in families in which at least one parent is employed. Most of these

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(42 per cent of all poor children) live in two-parent families in which at least one parent is working (often full time), while a further 8 per cent live in one-parent families in which the parent is working (typically part time).

Roughly 30 per cent of poor children live in one-parent families where the parent is not working. The remainder (about one-fifth of poor children) live in two-parent families where no parent is working.

The demographic data also point to some cross-cutting factors, such as parental disability and large family size, that increase the risk of poverty. In addition, child poverty rates are much higher for some ethnic groups, in particular, Pakistani and Bangladeshi families.

In my view, these demographics create five challenges that UK policymakers – of whatever political party – must address if they are to make further reductions in child poverty. The first is to do more to raise incomes in working families, through measures such as expanding childcare and other in-work support for those on the lowest incomes, raising the value of the minimum wage, improving incentives to work additional hours, and expanding measures to improve the skills and qualifications of low-skilled workers, through pre-school and school initiatives but also through training and education programmes for adults.

The second challenge is to move more lone parents into work, through measures such as expanded childcare supports as well as strengthened child support enforcement.

The third challenge is to address poverty in workless two-parent families. Here, I recommend a personal advising model, along the lines of what Paul Gregg recommended in his December 2008 review for the government, alongside policy measures such as expanded childcare supports.

A fourth challenge is to address the elevated risk of poverty in Pakistani and Bangladeshi families. While some of the factors underlying this have been identified (mothers in these families have low employment rates, fathers' earnings are low, family size tends to be large, and there are often non-working extended family members in the household), it is not clear what the policy response should be, so here I recommend more ethnographic research on the situation and views of these families, as well as more local efforts and initiatives.

The fifth challenge is to address underlying trends in income inequality. One important priority must be to continue to work to raise skills at the bottom of the income distribution, to promote more social mobility and narrow the gap between the bottom and the middle of the income distribution.

Finally, a word about measurement. The experience of the past decade offers some clear lessons about how the government should measure poverty and what targets it should hold itself accountable for. As described earlier, the UK government has used three official measures of poverty, and each measure has provided useful information about the status and progress of its reforms. The relative measure, like measures used in Europe, serves as an index of trends in inequality, while the absolute measure and material deprivation measure shed light on changing living standards for low-income families. Although using the three measures increases complexity, it also increases our understanding of poverty and the role that policies play. So, I think using all three measures is a sound decision and one that should be carried forward.

What is the New Labour legacy on child poverty? I think we must give both Tony Blair and Gordon Brown top marks for putting child poverty on the national agenda. Although Blair took the first step in making his remarkable pledge, arguably Brown's role was even more consequential. Brown carried the effort forward over the past decade, making a strong personal commitment to the issue and putting real resources into it. Even as his time in office was coming to an end, he introduced legislation and succeeded in getting all parties to sign up to the commitment to end child poverty. The latest child poverty statistics, released at the end of May, show further reductions in both relative and absolute child poverty in the past year and thus reinforce the overall conclusion that this government made substantial progress in ending child poverty, however it is measured. This is an example that I hope will inspire my own country, the United States, and that I hope will also set a standard for future governments in the UK. ■

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