

## **Keeping the promise on tackling child poverty**

### **Key points**

The nation is fast approaching the 2010 target to have halved child poverty. Since 1999 there are 600,000 fewer children in poverty, a major policy success which shows policy can work to tackle deprivation. But the first target (to reduce child poverty by a quarter by 2004/05) was missed and we are way off track to meet the second target.

There is bipartisan front-bench support within Parliament for policy to reduce child poverty. What is needed is strong political leadership to deliver the target. Though public attitudes to poverty seem to have hardened this is partly about the language being used - there is widespread disquiet about inequality and support for greater fairness.

Time is running out to implement measures to keep the promise to halve child poverty. A road-map to get us back on track and serious investments are needed soon for us to have a realistic chance of halving poverty rates. **As part of the Campaign to End Child Poverty, CPAG is calling for an investment of an additional £4 billion per year to ensure the 2010 target is met.**

For the 2020 goal of eradicating child poverty there are also many long term issues around community development, service delivery, housing and greater education and skills equality. We hope the Child Poverty Unit, shared between the Departments for Work and Pensions and for Children, Schools and Families, will be able to plan not only how child poverty is reduced but how it kept sustainably low after 2020.

Policies which could help reach the 2010 target include:

- Increases in redistribution to families, child benefit or tax credits (and improvements in the administration of tax credits);
- Better gains from work (through a combination of higher national minimum wage and working tax credit and supported by more and better childcare);
- Attention to incomes for those who are not currently working, including Income Support/ Jobseekers Allowance and disability benefits such as the new Employment and Support Allowance.
- A more reliable child support system and more income passed through it to lone parents.
- A fairer, more equitable tax system so that the poorest families pay a significantly lower proportion of their income in taxation than the wealthiest.

## Context

This briefing examines the policy and delivery challenges in tackling child poverty in the UK. The broad agenda is set by the political commitment to eradicate child poverty by 2020, a commitment made by the Labour government, an aspiration shared by the Conservative opposition and supported by the Liberal Democrats. There are major issues in reaching and sustaining the much lower level of child poverty 2020 evokes. However closer at hand is the interim target to halve child poverty by 2010. This briefing particularly focuses on the issues for 2010, CPAG has written more widely on some of the long term issues.<sup>i</sup>

The commitment was followed by the implementation of policies based around three principle strands: welfare to work and an increasing employment rate; redistribution to families with children, through the tax credits and; an increased focus on early years development with the development of surestart and other initiatives.

Policy has had qualified success - child poverty did fall, by between 500,000 and 600,000 children between 1998/99 and 2005/06<sup>ii</sup> whilst income inequality held steady. However, progress has been slow and we are off track to meet the second target; in the last year of reported figures income poverty rose. These are clear signs that current policy has reached its current limits. To get further we need refocusing and to see more (and smarter) investment.

Though we support better access to good jobs, CPAG has great concerns over the increases in conditions and sanctions embodied by the ongoing welfare reform debate. CPAG is very supportive of moves to look at not only job entrance but pay and progression but does not believe greater conditions have much to offer in improving access to employment, the evidence does not imply this is likely to be a more successful route to more employment than providing decent support and sanctioning families threatens children. We are also concerned about this narrowing of the debate between 'deserving' and 'undeserving' poor – to exaggerate problems of people refusing to work or committing fraud (evidence shows this is a small group) stigmatises a wider group and it reduces public willingness to support tackling poverty.

### Which children face particular risks of poverty?

In recent months there has been an increasing discussion of severe poverty - a focus on children seen to be falling far behind. CPAG agrees with this analysis and published our *At Greatest Risk*<sup>iii</sup> to profile the position of key groups of children policy is too often ineffective at reaching. However we urge caution, CPAG does not believe that 'non-severe' poverty exists, the overall target should be 60% of median income but with a commitment to ensure all children under the poverty line are helped.

One way of approaching this is to look at which groups of children face a high risk of poverty. The chart uses the same data that informs the target to shows the risks of poverty for different groups of children and what proportion these groups make up of all children who are poor.

Risk of child poverty (2005/06) and the numbers in before housing cost poverty

	Before housing costs (BHC)	After housing costs	Numbers of children in poverty (BHC), millions
Children with lone parents	35	50	1.1
Children living with couples	18	23	1.7
Children in households with all adults in work	8	12	0.6
Children with at least one adult in work, but not all	28	37	1.0
Children without a parent in work	60	78	1.3
Children in large families (3 or more children)	31	40	1.1
Children in families with no disabled parent but one or more disabled child	20	26	0.2
Children in families with one or more disabled adult, but no disabled child	33	42	0.6
Children in families with both a disabled adult and child	24	36	0.1
Children in families with a youngest child aged under five	24	33	1.2
Children living in local authority housing	49	58	0.8
Children living in London	26	41	0.4
All children	22	30	2.8

Source, see note ii. Some numbers have been reworked from HBAI data.

The table shows risks of child poverty, and it shows the numbers of children who are poor before housing costs – to meet 2010 Government needs to lift 1.1 million children out of this column, from the data CPAG notes the following:

- **Children affected by disability.** About one million children in poverty are affected by disability, their own, a sibling or a parent. That suggests that the adequacy and the effectiveness of benefits like current Incapacity Benefit or Disability Living Allowance are very relevant to tackling child poverty.
- **Child poverty rises with family size,** particularly for families with three or more children in them. Targeted options here might include a large family premium through child tax credit or, better, levelling up child benefit for second and subsequent children.
- **Child poverty is highest for families with young children.** This may be the result of other factors (such as worklessness or lone parenthood) but it does suggest a policy lever. At the moment the family element of child tax credit is doubled for families with a baby, one option here would be to increase the age criteria for that premium.
- **Children living with lone parents** are both a large group of children and one which faces a high risk of poverty. This context is relevant to proposals to provide a couple premium in working tax credit, more spending on families with children is always welcome but it is unwise to shift attention away from children of lone parents.
- **Children in working families.** This is a cautionary note to balance the focus on getting more parents into work – about 1.6 million children in poverty have a parent in

work. Employment lowers risk of poverty but a job is not a guaranteed route out of poverty.

- **Children in workless households.** The risk of poverty for this group is very high, yet mostly income is derived from government support, disability benefits or income support. Government commitment to eradicating child poverty needs to address the inadequacy of its own safety net.

### **What should the priorities be?**

The target year for halving child poverty is the 2010/11 financial year - measures to affect this year need to be in place by April 2010. There are a series of budget or pre-budget opportunities between now and 2010 but each day decisions are delayed increases the chances the target will be missed. As the measure is basically an income one, so to must be measures to help achieve it. This final section lays out some of the areas CPAG feel should be explored in Wednesday's debate.

**Halving child poverty by 2010 is good value for money but cannot be done without greater investment.** With many other organisations, as part of the Campaign to End Child Poverty, CPAG is calling for an additional £4 billion per annum spending. This figure was originally drawn from analysis by the Institute for Fiscal Studies, who costed policy options for the Joseph Rowntree Foundation.<sup>iv</sup> More recently IFS remodelled the cost at £3.4 billion per year but this only buys a 50:50 chance of reaching the target - that is inadequate for Britain's children models have been wrong in the past and government needs to make sure.

**Make child benefit count by leveling up the second and subsequent rate of child benefit.** Child benefit is popular and effective. Because it goes to most families child benefit does not carry a stigma. Because it is not withdrawn with rising income it does not result in overpayments or worsened work incentives. As a near universal benefit, increasing child benefit is more expensive than the tax credits but because most families gain from it, so to it can be used as a positive way of building and protecting public support for redistribution to families. As less child benefit is paid for second and subsequent children, larger families get relatively smaller amounts than smaller ones, even though poverty rates increase with family size. Levelling the second and subsequent child payment up to the first rate could reduce child poverty by about 250,000 children.<sup>v</sup>

**Invest more in child tax credit and improve its administration** for the poorest families. Child Tax Credit has been an important element of anti-poverty policy. Though CPAG is in favour of shifting the balance towards investing more in child benefit, there is an ongoing role for the tax credits and models to halve child poverty by 2010 usually rely on tax credit spending. At the same time there is ongoing concern<sup>vi</sup> about the quality of tax credit administration for the poorest families (who often have complex or multiple changes in circumstances). The quality of this experience needs significant - and urgent - improvement.

**Better work, not just more jobs.** Work first policy and a buoyant labour market has helped increase the employment rate. CPAG supports the 80% employment goal - where parents want to work barriers to employment - such as skills, inflexible employers or inadequate gains from work - need to be addressed. CPAG rejects the need for greater conditionality and sanctions, the numbers refusing to work is tiny compared to the numbers who want to work and need inclusive positive support to get there. 2010 policy on employment should be to improve investments in welfare to work programmes and in childcare provision, to learn from what works - not simply to react to slow progress by leaping for more draconian

measures - and to continue to increase the focus on better pay and to gear Jobcentre plus to look at sustainability of employment and on progression within employment.

**Make taxation fairer for poorer families.** The poorest pay proportionately more tax than the rich. Regressive taxes include council tax and indirect taxes like VAT. The resultant inequality is counter to the Government's target to end child poverty. There is strong public support for a fairer way of raising current levels of revenue. The government must ensure the burden of taxation is more proportional to the ability to pay.

**An urgent review of the value of out of work benefits and the fit with the child poverty strategy.** An 80% employment rate implies 20% of working age adults will not work. Even with the proposals to shift lone parents with younger and younger children from Income Support to Jobseekers Allowance, many lone parents with young children will not be able to work. Similarly many parents with severe disabilities will continue not to be able to work, even after the introduction of the new Employment and Support Allowance. These families will remain reliant on the safety net. There is a contradiction (and a disgrace) in policy that though the government and opposition are committed to eradicating child poverty, for those children whose families rely entirely on the state, the 'safety net' typically pays much less than the poverty line after years of neglect of the value of adult benefits.

**Importance of disability benefits.** The close relationship between ill-health, disability and poverty mean that disability benefits play an important role in anti-poverty policy. Government is implementing changes around incapacity benefit and though CPAG has significant concerns over the increase in sanctions and conditions this reform envisages we hope there will be an increased generosity of the support - low income worsens health and saps morale, it does not make people more likely to look for work. Alongside this CPAG urges greater action to improve both the rate and the administrative process and take up of Disability Living Allowance (for both disabled children and disabled parents). Simple measures such as pre-populated forms, simplified renewals and run-ons where benefit is down-rated could help reduce poverty rates.

**CPAG recognises the anti-poverty impact of the proposal to increase the income support disregard of child maintenance income to £40.** Administratively and practically we have argued for total pass through of maintenance income but we are pleased this disregard has been increased. The increased disregard will better incentive non-resident parents to comply but for child maintenance to improve child outcomes the child maintenance reforms need to increase compliance rates.

**For 2020, policy should be looking to sustain lower levels of poverty,** it should be looking at community development (for instance the relationships between housing and access to the labour market), it should be looking at education and skills (to help people cope in a risky labour market and to reduce the chances of the transmission of poverty) and it should be looking at gearing services to more effectively meet poorer families needs – for instance through bending spending and through more effective outreach. Bad, temporary and overcrowded housing impacts on children's life chances (including through health and education outcomes) – here the key must be to increase housing supply.

More recently, there have also been moves to **localise the child poverty target** with a dedicated indicator within the new performance framework for English and Welsh local authorities. Scotland's different system (and recent greater autonomy offered to local authorities in spending decisions) does not mirror this performance regime, but there is an

interest from both national and local government in Scotland in local action. These moves are welcome and should pay off in the long term but they should not take responsibility away from central government in meeting the 2010 or 2020 targets.

**Politicians must end the use of stigmatising language.** CPAG urges politicians of all parties to be very careful with language. Recently we have had a spate of highly stigmatising stories resultant from comments by senior politicians, for instance around welfare reform and increasing conditions, around access to council housing. At best talking tough on welfare reform reinforces a public stereotype of the undeserving poor not borne out by evidence beyond the anecdotal. At worst, this stigmatises and frightens poor families and it narrows the ability of governments to justify spending resources on eradicating child poverty. Inflaming public opinion to victim blame does nothing to support eradicating child poverty.

## About CPAG

CPAG is the leading charity campaigning for the abolition of poverty among children and young people in the UK and for the improvement of the lives of low income families. CPAG aims to: raise awareness of the causes, extent, nature and impact of poverty and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. CPAG is a founder member of the campaign to End Child Poverty.

CPAG produces an e-bulletin providing up to date analysis on child poverty issues, contact us to sign up.

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<sup>i</sup> For example in evidence to the 2007 Comprehensive Spending Review, see [http://www.cpag.org.uk/info/briefings\\_policy/CSR\\_2007/CSR\\_2007\\_briefing.htm](http://www.cpag.org.uk/info/briefings_policy/CSR_2007/CSR_2007_briefing.htm)

<sup>ii</sup> There are two principle measures of child poverty used, both relying on relative low incomes (children in households with incomes below 60% of median, or typical, income), 'before housing costs' (that is no deduction for rent or mortgage payments but housing benefit counts as part of the income), and after housing costs' (like before housing costs, but deducting housing costs). Government prefers the before housing cost measure because it can compare to other countries, CPAG prefers the after housing cost measure because it better tracks disposable incomes. Data is from the official Households Below Average Incomes series publication which is available at <http://www.dwp.gov.uk/asd/hbai/hbai2006/contents.asp>

<sup>iii</sup> Preston, G, At Greatest Risk, the children most likely to be poor, Child Poverty Action Group, 2005

<sup>iv</sup> Hirsh, D, What will it take to end child poverty? Firing on all cylinders, Joseph Rowntree Foundation, 2006 see <http://www.jrf.org.uk/bookshop/eBooks/9781859355008.pdf>

<sup>v</sup> See Bennett F and Dornan P, Child benefit: fit for the future, Child Poverty Action Group, 2006. [http://www.cpag.org.uk/MakeChildBenefitCount/ChildBenefit\\_briefing.htm](http://www.cpag.org.uk/MakeChildBenefitCount/ChildBenefit_briefing.htm)

<sup>vi</sup> See for instance, the Health and Parliamentary Ombudsman's report, Tax credits getting it wrong?, 2007, [http://www.ombudsman.org.uk/improving\\_services/special\\_reports/pca/taxcredits07/index.html](http://www.ombudsman.org.uk/improving_services/special_reports/pca/taxcredits07/index.html)