



END CHILD POVERTY once and for all

Pre-budget review submission: The right to a decent childhood

November 2005

There should be a right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development.

UN Convention on the Rights of the Child, Article 27 clause 1

The greatest question the future will ask about us is: Did we make the world a little better for our children. To which the answer is: Not yet. Children have no power, no wealth, no voice, no vote. But we are their guardians, and if we would only put children first, we'd create a different and better world.

Chief Rabbi Sir Jonathan Sacks

There was a school trip... I had to pay £90. The whole class has been told they're going, how am I supposed to say he can't go? I thought that would be funded by the Government as he is a special needs child

Lone parent of a special needs child

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Overview

1. We started this submission with powerful words because delivering on social justice is a serious mission – requiring both effective policy and political will. The current government deserves significant praise for setting an agenda to tackle child poverty and bringing in the policy instruments and resources to achieve this ambition.
2. We commend the Treasury for the leadership it has shown in getting to grips with tackling poverty. The pre-budget review, the 2006 budget and then both the 2006 Comprehensive Spending Review and 2007 Spending Review all offer significant opportunity to make the progress needed towards halving (by 2010/11) and then to eradicating child poverty (by 2020).
3. The delivery of mechanisms put in place to tackle child poverty has however been patchy in some places and unacceptable in others. We would emphasise that, if welfare reform is to support the eradication of child poverty, the agencies responsible need the resources and support necessary to achieve this target.
4. We believe that poverty denies both children and families dignity, and specifically denies children the fundamental human rightⁱ to a decent childhood. However, time is running short on the eradication of child poverty. If progress towards halving child poverty is to be made in the next spending round, the Government must deliver significant resources and policy improvements. We believe that both policy and delivery questions need to be addressed, and this submission addresses both issues. This document raises those areas of policy reserved to Westminster and so the scope of this submission relates to UK-wide policy.
5. This submission not only focuses on policy and delivery needs but it emphasises the importance of situating these within an analysis of the current situation for the most disadvantaged children in the UK. CPAG drew together a collection of chapters from academics and researchers profiling the position of various groups of children known to face a particularly high risk of poverty (including children in larger families, disabled children, children of disabled parents and black and minority ethnic children). This collection, *At Greatest Risk: the children most likely to be poor*,ⁱⁱ examines these children's current situation and considers how they have fared under recent policy. It highlights some of the key issues which must be taken on board if child poverty is to be halved and eradicated.
6. We believe that policy aimed at reducing child poverty should be driven by the needs of the poorest children. In *At Greatest Risk*, by examining some of the specific situations of a series of groups of children, the book exposes universal conclusions which will frame the sorts of, more specific, 'policy asks' we call for later in this document:
 - *The role of work first policy.* Paid work is a key route out of poverty for many families, but it has limitations: not all families have a parent able to work, and few families have two parents in a position to work full time.

- *Support into work.* Many parents who are currently not working, would like the opportunity to work. The key to encouraging this is support and help into good quality sustainable employment.
 - *An adequate safety net.* Parents who are not in paid work, and who are therefore most at risk of poverty, need an adequate disposable income—made up of the sum of Income Support, Child Benefit and Child Tax Credit. And yet Income Support has long been overlooked by policy makers. Eradicating child poverty *requires* a financial safety net of at least the value of the poverty line.
 - *Overlapping disadvantage.* Particular groups in the population are demonstrably more disadvantaged than others, but within such groups there is a significant proportion for whom one characteristic associated with disadvantage is compounded by others.
 - *Inadequate data to track disadvantage.* The data to track progress of policy for some of the poorest children is inadequate. New material deprivation data being collected by the Department for Work and Pensions (DWP) offers significant opportunities to improve knowledge of policy impact.
 - *Unequal gain from anti-poverty policies.* Policies - though reducing poverty overall - have improved the position of those who are easiest to help: there has been unequal gain. Policy solutions need to address the needs of all children.
7. This submission discusses various aspects of policy and delivery related to the pledge to eradicating child poverty; vital to ensure a decent childhood for all. First we discuss the measurement of child poverty, and then issues around the income available to the poorest families – through paid work and through the safety net. The submission then discusses some of what we feel is required to be done in favour of lower income families around delivery mechanisms in terms of the welfare reform agenda and the tax credit system. Following this we draw on research which develops the debate to explore how best to move towards the 2010/11 and 2020 milestones to halve and eradicate child poverty. CPAG, in conjunction with One Parent Families and funded by the Joseph Rowntree Foundation, has been working with Martin Evans and Jill Scarborough of the University of Bath to explore the effects different policies have on certain 'model' families. This submission draws on their early findings to demonstrate what these suggest for future policy development. We also discuss some aspects of what is needed to develop the public argument in favour of tackling child poverty. We finish up with the key recommendations we call on the Treasury to address in the Pre-Budget Review and in forthcoming policy.

Measuring child poverty

8. Measuring child poverty accurately and adequately is essential and directly informs policy through the Public Service Agreements to tackle child poverty. *Measuring Child Poverty*ⁱⁱⁱ has set out Government's overall plan in this direction, and this has been followed by a renewed Public Service Agreement (until 2010/11) to halve relative income poverty calculated on a before housing cost (BHC) basis. CPAG's evidence to the Work and Pensions Select Committee^{iv}

considered the impact of the shift away from the method of measuring child poverty on both a before and after housing cost (AHC) basis towards sole reliance on BHC. Updating this analysis shows the impact this change has had on the 'the 'top-line' number of children officially counted as poor, resulting in a reduction in the number of children counted as poor of 750,000.^v These 750,000 children, not poor on the new BHC measure (in 2003/04) but poor on an AHC measure were rendered poor because of the way in which high housing costs affected their families.

9. We are aware that following the pre-budget review and the release of the 2004/05 HBAI findings next year the DWP will be reviewing the measurement of material deprivation, to inform a second (material deprivation and relative low income combined) Public Service Agreement to sit alongside the relative low income measure.
10. The use of material deprivation data, alongside relative low incomes, could be very positive if it sheds light on the material circumstances of poorer children. For it to do so however, and to build on a positive agenda the material deprivation and low income combined measure of child poverty needs to be both a 'moderate' definition of material deprivation – capturing more than only the very poorest children - and there needs to be a numeric continuity between the new measure and the previously used AHC measure to ensure both that those children whose families' housing costs make them poor are accounted for and so that public confidence in both the statistics and the pledge is maintained.

The role of paid work

11. In this submission we make reference to the work-first policy of the government and its 80 per cent employment rate aspiration and specific targets for particular groups. This is further discussed below ('Securing policy over time'). Where parents want to and are able to work we believe that they should be supported to do so by removing barriers to employment; parents should not be forced into work by the threat of lost benefits. We recognise that increasing the employment rate is crucial to continuing to reduce child poverty but this requires the provision of decently-paid jobs with decent conditions.
12. Government has illustrated that many of those who are not currently employed would like to work (that one million non-working disabled adults would like to work is a frequently quoted figure). We believe the key is to provide this group of people with the choices and support necessary to achieve this aim. However many parents are not and never will be in a position to take paid work (perhaps through disability or caring responsibilities). Increasing the conditions applying to benefits, as has been implied may occur in the forthcoming Welfare Reform green paper, to increase the employment rate would be both socially unjust and short sighted. It is unlikely to reduce child poverty if families who are unable to work are sanctioned and suffer loss of income as a result or it drives parents into unsuitable and unsustainable paid work.
13. Much has been done to support parents into work. For example the recent 10 year Childcare Strategy and subsequent Childcare Bill contain much to be commended. However much more needs to be done to remove existing barriers to work before the 80 per cent target can be reached. Below ('Securing policy

over time') we argue the route to increasing the employment rate and ensuring an adequate return for parents to protect their children from poverty lie in increased efforts on skill development and more effort to increase wage rates through the national minimum wage and the tax credit system.

Income adequacy and the safety net

14. We begin this section with a bald fact: government cannot truly eradicate child poverty whilst the value of the safety net is below the level of the poverty line, since – by its very nature – some families will always have to be reliant on the safety net. Though government may succeed in reducing the levels of child poverty by increasing the employment rate or by dealing with the problem of in-work poverty, and may even meet the half way target, any strategy to reduce child poverty which does not tackle the level of out of work incomes leaves a large and vulnerable group of children falling further behind.
15. The latest available Households Below Average Incomes (HBAI) series^{vi} shows an average risk of child poverty at 28 per cent of all children in Great Britain. For families in receipt of income support the risk of poverty is 74 per cent or three out of four children. For families in receipt of job seekers allowance (JSA) the risk of child poverty is 80 per cent or four fifths of children. These statistics suggest that benefits which often pay an amount below the poverty line do not lift families out of poverty. Table 1 illustrates some of these 'poverty gaps' –the amount by which the safety net currently pays *less* than the poverty line. The poverty gaps are the cash difference between the poverty line and the safety net expressed as a percentage of the poverty line.

Table 1 Poverty gaps in April 2005, the poverty line and value of the safety net (weekly figures)

	Poverty line (£) ^{vii}	Safety net (£) ^{viii}	Poverty gap (%) ^{ix}
Couple, aged 25 years, no children	193	88.15	54.4
Single aged 25 years, no children	106	56.20	47.1
Couple both aged 25, child (4 years old)	228	148.13	35.1
Single aged 25, child (4 years old)	141	116.18	17.7
Couple both aged 30, two children (5 and 11)	284	192.03	32.4
Single aged 25, two children (5 and 11)	197	160.08	18.8
Couple both aged 40, four children (8, 11, 13, 15)	416	279.83	32.7
Single aged 40, four children (ages 8, 11, 13, 15)	329	247.88	24.6

16. The safety net value presented in the column is the weekly level of income support, child benefit and child tax credit. A key reason for the poverty gaps shown in Table 1 is the relative value of IS payments for adults. The single adult rate of IS has fallen from 13.4 per cent of average earnings in April 1997 to 11.0 per cent in April 2004^x (for couples the fall was from 21 to 17.3 per cent over the same period). We support recent policy focus of targeting income at children but children live in families and overall household income has an impact on children's lives. Increases in child tax credit are being undermined by a failure to deal with the inadequacy of IS. The reason for the falls in the relative value of IS against wages is the practice of uprating it by price inflation, an index which has tended to rise more slowly. Had IS kept up with wages growth from 1997, in 2004 the single rate would have been worth £67.79, £12.14 more than it actually was, and the couple rate would have been worth £105.97, £18.67 more than it was. These falls in real value mostly happened after 1999, while the government was actively trying to reduce child poverty by redistributing in favour of families; concurrent policy has been undermining this effort for those families reliant on IS.
17. Recent problems with the means tested child tax credit reinforce the importance of child benefit. Child Benefit is universal, politically well supported and popular with parents.^{xi} It is well functioning: simple, highly taken up and good at ensuring a constant stream of resources get to the principal carer. Though Child benefit was significantly increased in value for the first child in 1999, before and after then it has slid in real value (as against average earnings). As against a high point in April 1979 of 4.5 per cent of average earnings (for both first and

subsequent children), in April 2004, the first child rate was worth 3.3 per cent of average earnings, the subsequent child rate 2.2 per cent of average earnings.^{xii} Child Benefit is a valuable element of income provision for children and though expensive to increase, we believe there is a strong political case for doing so.^{xiii} In particular the difference between first and subsequent child rates fails to maximise the impact child benefit could have on reducing child poverty since the risk of poverty is higher in larger families.^{xiv} We recommend government seriously considers the level of child benefit, and gives particular attention to redressing the lower rate of the benefit for subsequent children and increasing it to match the first child rate.

18. Government is inconsistent in the way in which it increases benefit and tax credit rates to account for inflation in the wider economy. To meet relative income based poverty reduction targets we argue that the value of the safety net needs to rise with living standards in wider society. Since the relative income target is defined in relation to median income, which is in part driven by wages growth, tackling poverty means hitting a moving target. Doing so requires appropriate uprating of benefits and tax credits to track wider movements in the economy and society. In recent years, IS and child benefit (excepting a significant boost for the first child element in 1999) have been uprated with prices based indices. Elements of the tax credits have been tackled differently. The per child element of child tax credit has grown significantly - on average above earnings inflation - while the family and baby elements have been frozen - or cut in real terms. Long term policy should be clearer and should abide by the principle that elements should rise by the fastest growing of prices or earnings inflation.
19. A key argument used against increasing the rates of IS that this would worsen work incentives; by increasing incomes out of work, the gains to work are made less. Though financial gains from work are important, we dispute that there is a clear relationship between work incentives and parental employment: peoples' lives and choices are more complex than this. However the need to maintain work incentives whilst tackling child poverty suggests the best solution is to raise in-work incomes, not to hold down out of work incomes. This means addressing in-work support and wage rates both through the minimum wage and further investment in improving skills.
20. To sum up the thrust of this section:
 - Tackling child poverty using a relative income measure means providing safety net benefits at (or above) the level of the poverty line. The poverty gaps within the system currently need to be narrowed and eliminated if child poverty is to be truly eradicated.
 - Without addressing the uprating of the combined value of the safety net, to ensure these at least keep track of growth in median income (which is in part driven by wage growth) progress made in tackling child poverty may slip back and do so for the most vulnerable children, those with no parent in work.

Delivering welfare reform

21. Much of this submission principally addresses policy but effective delivery of these policies is also important. We are in frequent contact (through links with

local projects and through second tier advice giving) with advisors who report to us the problems that they are having in dealing with delivery agencies such as JobCentre Plus and Her Majesty's Customs and Revenue (HMRC), including around errors and delays. We are not only concerned that these problems will continue, but that they might worsen with the job cuts in both DWP and HMRC following the Gershon review on efficiency savings. We note that the timing coincides not only with significant existing programmes, such as the New Deals, which require adequate staffing and resources to function, but at the same time as the DWP is developing a green paper around welfare reform which may well announce ambitious proposals to expand the operation of Pathways to Work (which is key to increasing the employment rate for disabled people) and potentially to raise ideas around simplifying the benefits system. Delivering these significant undertakings requires adequate resources. We are concerned that the capacity of the Department of Work and Pensions will not be sufficient to effectively deliver its welfare reform programme.

22. The Child Support Agency.

We believe the Child Support Agency is a failing organisation which is currently in crisis. Rapid and radical action must be taken in order to provide an acceptable service for the children who are its beneficiaries.

Work and Pensions Select Committee, March 2005^{xv}

This trenchant criticism by the Work and Pensions Select Committee relates to the extremely poor administration within the CSA hampered by IT problems and exacerbated by poor staff morale. We are waiting for the much delayed strategy from the Child Support Agenda's new Chief Executive Steven Geraghty. It is to be hoped that the strategy will show that the new Chief Executive is getting a grip on an agency which has had an appalling recent history of administrative problems, including failures to collect, or get maintenance through to parents. There is a very long way to go before the Public Service Agreement reaches its target of ensuring that 60 per cent, and then 65 per cent of parents with care in receipt of IS/JSA receive maintenance. In February 2005 the figure stood at just 24 per cent^{xvi}. Forty eight per cent of children in lone parent households are income poor.^{xvii} Not only do parents with care tend to be relatively poor, so to do many of the non-resident parents, of those recorded on the old cases computer system (CSCS^{xviii}), 180,500 out of 624,400 were recorded as being in receipt of Income Support, Job Seekers Allowance or a disability benefit.^{xix} Those the CSA serves need an effective system that works consistently and well.

23. We are concerned that there is not only clear evidence of organisational failure within the CSA, but that the way these problems have been considered has not placed children's interests first and foremost. We urge the Treasury to ensure that the CSA's strategy not only takes an effective grip on the management of the agency but that it places the needs of children first – including the need for a steady and reliable income.
24. The delivery of effective support which gets people who are able to work into work, is critical. For JobCentre Plus this ought to mean the provision of a service in which accessibility - including face to face advice when making claims or accessing support - is paramount. This is critical to ensuring that families have the income they need and it is key to a welter of targets intended to drive up the UK's employment rate towards the 80 per cent. We are supportive of policies that help those willing and able to access good quality jobs to do so, and we see

improving the performance of JobCentre Plus and its associated programmes as key to the achievement of this aim. The rollout of JobCentre Plus should mean a better and more integrated service and this support is precisely what is needed in order to deliver the work first agenda. Yet we have concerns over the accessibility of the service particularly for its poorest clients. In particular recent concerns raised with us by rights advisors working with clients and dealing with JobCentre Plus include, amongst others:

- Problems with the newly introduced Customer Management System (CMS). We have received reports of a very patchy service across the country, with some contact (call) centres experiencing serious problems with the CMS and with consequent delays for clients in receiving forms or arranging Work Focused Interviews.
- Wrong advice given on the telephone, and since we understand calls are not monitored there would appear to be no way of proving this or judging service.
- The script apparently used by contact centre workers. This script not only takes up to 45 minutes to go through, but appears very rigid and the system itself very inflexible; examples of poor practice reported include: a student asked inappropriate questions about work and then told they were ineligible to support when this may have been incorrect and a deaf client who wished to complete a form by post was told by the contact centre that they had to have a telephone interview.

25. Administration and delivery. In isolation problems may be regarded as individual bad practice but they fit a wider pattern: for development of policy and particularly the proposed rollout of the Pathways to Work scheme to deliver greater employment opportunities for parents and to reduce child poverty there is a need for good delivery and administration – we urge the Treasury to place pressure on DWP both to deliver a better service, and to ensure it has the resources in place to do so.

26. To summarize the key messages from this section we would like Treasury to hear:

- Aside from policy improvements, which we comment on elsewhere in this submission, the welcome policy aims of tackling child poverty must be bolstered by structures to support this by effective delivery.
- We see worrying signs of variations over the quality of administration and delivery. The CSA is a particularly shocking example, and one on which we hope government and the agency will improve.
- The rollout of additional support to consider and possibly take up work opportunities, such as through Pathways to Work, cannot be done on the cheap; it will only succeed if sufficient resources are on the table to allow DWP to implement them effectively.

First steps to reform tax credits

27. The introduction of the child and working tax credits in April 2003 have brought very significant amounts of resources to poorer families. We strongly support this

and view the successful delivery of the tax credits as crucial to the eradication of child poverty. However, significant concerns^{xx} have been raised about the quality of administration of tax credits and about the impact which policy, especially the recovery of overpayments, has had on families with children. These problems are current, go beyond those associated with the start of the scheme in April 2003 and are both administrative and linked to the structure of the scheme. Over the summer and autumn of 2005 CPAG conducted a qualitative research project to investigate the impact some of these problems have had on families. What we found reinforced many of the messages that we have been hearing from welfare rights workers and through CPAG's tax credit monitoring network. The following quotes from mothers in receipt of tax credit payments and having had problems with these give a feel of the impact on children and families (the names have been changed):

'they're very helpful [on the helpline] but they just don't know, sometime I knew more than they did ... I wouldn't call what they do giving advice; they seem to have a script and won't go outside it unless you ask the right question

Anna, who lives with her partner and a son and daughter

[I received] six award notices just for June... .. These two are the same date but the figures are completely different... it's the same period on the notice but different figures.

Laura, a lone parent with two daughters

they had to go into my award to do something to it and then instead of my [tax credit] money going into the bank on a Friday it didn't go in until the next Wednesday. I'd gone into pay for my goods in a shop and it refused my card and that was pretty embarrassing. ... No forewarning, no apology, no nothing. You're supposed to just accept the fact that your money was a couple of days late, which it can't be when you are operating hand to mouth and relying on that money going in every Friday. To suddenly not have it go in and to not be able to buy any food that weekend was really awful.

Eve, a lone parent with one daughter

28. This research highlighted the impact of a strained and creaking system on claimants who experienced difficulties getting through to the helpline, misleading advice, receiving numerous, indecipherable and conflicting award notices, and often a lack of appreciation or sympathy for their circumstances. Though process and training are factors, we also see this as evidence of over-stretch of staff. It is worrying that these problems exist *before* the Income Support cases have been transferred into the tax credit system.
29. The most serious problems encountered with the system have accompanied the recovery of overpaid tax credits. Evidence of the incidence of overpayments implies that these are concentrated amongst families on lower incomes. The recovery of overpayments has left many families in hardship, and the process by which decisions have been made has not only been bedevilled by administrative error but has led to confusing communications which are often impossible for claimants to understand and to effectively challenge.

30. These sort of problems with tax credits led CPAG to publish a short action plan to help to tackle these problems. In that document, 'First steps to the reform of tax credits'^{xxi}, to improve the operation of tax credits CPAG has called for:
- An amnesty of overpayments that arose in 2003/4 and 2004/5.
 - Introduce a right of appeal against overpayment decisions
 - No automatic recovery
 - Fair recovery of overpayments
 - Improve communication and advice to claimants
 - Encourage take up of tax credits
31. Linked to these concerns, and following a legal opinion that HMRC has not been properly apply its own discretion as to whether or not to recover an overpayment (but rather doing this automatically), CPAG has been investigating possible legal challenge to the governments' practice.
32. What we would like to see is the tax credit system – which has helped to reduce child poverty – made to work much better. Without significant improvements we are concerned that tax credits will not play the part needed to eradicate child poverty. We appreciate that government acknowledges the existence of many of these problems, and is looking to solve some of them. We particularly welcome the recent decision to suspend overpayment recovery while a dispute is resolved. However, this is not enough to address the widespread concerns over tax credits. Poor quality communication from HMRC - including an inadequate helpline and multiple, sometimes conflicting and always confusing award notices - means that it is unreasonable to expect claimants to understand their awards. These problems are compounded by the fact that HMRC continues recover tax credits automatically stopping only when a claimant challenges. This weights the system too far against the interests of claimants. We believe that tax credits are key to tackling child poverty but to achieve this aim they must be made to work better.

Securing policy over time

33. Success in relation to the first PSA milestone, though already past (the financial year 2004/05), will only be known next spring. Since the chance of altering policy to affect this milestone has now passed we are keen to focus attention on the challenges of 2010 and 2020.^{xxii}
34. To inform this submission we, together with One Parent Families and funded by the Joseph Rowntree Foundation, asked Martin Evans and Jill Scarborough of the University of Bath to investigate the probable impact of current policy assumptions on the future experience of poverty.^{xxiii} Early findings from this research are profiled here and reiterate many of the messages covered in previous sections. To study the impact of policy they picked certain 'model' families – a couple and a lone parent - both containing a paid worker at minimum wage level (and in the couple's case a further part-time worker after the first child had gone to school). If the 2010 and 2020 targets are to be reached it is families such as these for whom policy must deliver. Evans and Scarborough then 'aged'

each family, from the starting point with the birth of a child in 2005 towards 2020, when the eldest child would be 16 years old.

35. By projecting forward current assumptions of how wage rate, benefit and tax credit mix will change over time, and comparing this to the likely changes in the poverty line, Evans and Scarborough track performance of current policy over time to establish how policy: protects working adults from poverty; interacts with future trends, such as costs of childcare and rent; copes with lifetime risk such as unemployment or separation; and explore the opportunities from different future policy options around wage rate, investment in skills and training and around upratings policy. A couple of clear early conclusions came out of this research, both around the challenges that policy faces in protecting families from poverty, and of what must be done to further reduce child poverty.
36. *Keeping track of the growth in median income.* Poverty is necessarily a relative concept: an individual's life chances are intimately interconnected with those of the wider society in which they live. Importantly the Public Service Agreement on reducing child poverty uses a relative definition of income poverty. Hitting a relative target is nothing new or exceptional, it merely accounts for the fact that incomes, and indeed expectations, change over time with growth in societal norms and that benefits and tax credits need to account for this to hold real value. If the Government is to continue to reduce poverty, the package of wages and benefits for the poorest must therefore be made to increase at a faster rate than the growth in the poverty line. If the package – or elements of it (as has been happening to income support – see Income adequacy and the safety net) rise slower than this, then other elements of provision must work harder, or otherwise certain families risk falling behind – which runs counter to the objective to reduce child poverty.
37. We welcome the pledge to increase the child element of child tax credit with earnings inflation until 2007/08 – but we note the piecemeal way in which uprating is handled. The impact of this – over the long term – is to de-value key elements of provision. If government intends to lock in progress made and to build on it, it needs to ensure that the safety net rises at least in line with earnings inflation.
38. *The role of paid work and returns from it.* Government policy is to increase the employment rate generally (to 80 per cent) focusing this specifically on increasing the employment rate of groups such as non-working lone parents and disabled adults. We are supportive of the overall intention of helping those who want to work and we recognise how important this is in the delivery of reductions in child poverty. Though work provides a route out of poverty for those able to take it up, low paid work does not and indeed since in 2003/04 52 per cent of children in income poverty lived in a household with one or more adult in work.^{xxiv} Increasing the employment rate alone is not an adequate solution to child poverty.
39. Both the introduction of the national minimum wage and the real increases made in its relative value since its introduction have been very welcome along with the in work support provided through the tax credits. We see a strong moral case for stepping up this pressure and maximising incomes from work, although families entitled to Working Tax Credit would not necessarily significantly increase their incomes unless the thresholds or tapers of WTC and other means tested benefits were altered.

40. Since low pay and gaps in employment are related closely both to each other (the low pay-no pay cycle) and to child poverty, Evans and Scarborough examined the impact of both, and the possibilities for tackling poverty following wage increase (modelled as following training interventions). They draw attention to the income insecurity caused by the low pay-no pay cycle of parents in low paid, insecure poor quality jobs which hold them close to, or in poverty, and plunge them into poverty if these are lost. They argue that the focus within 'work-first' policy on getting people back into work without much focus on later progression within work (through, for instance, significant skill development), can result in wages which remain close to the poverty line, and which may result in greater churning in and out of low pay work with all that this implies for child poverty. A greater focus on skills levels (as well as simple employability) may lead to higher security, wages and progression. This implies greater funding for training activities combined with greater support to take up options which might require more time out of the labour market to develop skills.
41. *Housing costs.* The research reveals starkly the potential for housing costs to impact on poverty and to undermine policy. Rents have been rising fast in recent years, Evans and Scarborough track rents for England which have been rising faster than inflation, and this has had a particular impact on private renters (an annual rise of 5.3 per cent between 1997 and 2003). We also note that moves within the Office for the Deputy Prime Minister to harmonise rents within the social rented sector may place particular upward movement on local authority rents.^{xxv} The effect of high housing costs in undermining poverty reduction is demonstrated by the difference between before and after housing cost measures of poverty (discussed above). The AHC measure shows more children in poverty because of housing costs their families have to finance. The shift away from using AHC data may mask this impact, but – as argued by the then Secretary of State for Work and Pensions in evidence to the Work and Pensions Select Committee^{xxvi} – we expect this to be shown up by the proposed material deprivation measure (see Measuring Child Poverty).
42. To draw out the key messages from this section, to reduce child poverty the incomes of the poorest families need to rise faster than will median earnings, this needs to be achieved through the combination of wages, benefits and tax credits. Not only is policy, rightfully, aiming at a moving target but other trends, notably around housing but also around childcare and transport may be undermining this – eating into family incomes – these may not show up on the proposed before housing cost measure of relative income poverty but are substantive in their impact on poorer families and are likely to impact upon levels of material deprivation. Increased employment income may be achieved through a higher employment rate by assisting parents into work, but if this is only by increasing poorly paid work, the churning associated will undermine attempts to reduce child poverty. What is needed to reduce child poverty is more and better paid work, this will require increasing the minimum wage and associated in-work support, and this means investing more in adult skills. Ensuring the incomes of the poorest families improve as against the poverty line to reduce child poverty also means consistency and generosity firstly over benefit rates and upratings policy.

Securing progress; selling the message

43. Government should be rightly proud of its intent to eradicate child poverty; it is admirable in scope, ambitious in scale and eminently deliverable given the political will. However, the issues outlined in this submission together with countervailing forces, such as income inequality, and the linked effect on median incomes, show how much more is necessary. To support this necessary effort, the public need to be engaged in both the extent of current problems and the possibilities that policy can offer. Key to the ambition and to sustaining reductions in the longer term is a greater public debate and dialogue about why eradicating child poverty is so important. Without this, as the Fabian Society has argued in the report of its Commission on Life chances and Child Poverty, reductions in child poverty will remain the government's best kept secret.^{xxvii} To redress this situation, we see a role which encompasses government and those who seek to influence it including a number of voluntary and academic bodies such as End Child Poverty, the Fabian Society and Joseph Rowntree Foundation who have been developing work in this area.
44. Much that has been happening on the delivery of government targets on child poverty has been positive – for example *Opportunities for All* and the *Child Poverty Review* - but government could do much more to sell its own success. There are also aspects of what it currently does which actively undermine that message.
45. *Continual, high profile comment.* Here we would reiterate the need for repeated comment on the child poverty target and the policies to achieve this, set-piece speeches are insufficient to developing and maintaining an adequate level of media and public comment around tackling child poverty.
46. *The deserving and the undeserving poor.* Poverty should be seen as a breach of human rights since it denies people the dignity they deserve. Since poverty is driven largely by factors outside individual control, so too it follows that tackling it is a societal obligation. Government rhetoric and policy which seeks to distinguish between those worthy and those unworthy of our support feeds victim-blaming prejudice and undermines collective public support for poverty reduction. We would point out four specific areas where government fans flames that actively undermine its own policy priorities.
- The focus on work and on 'hard-working' families. Recent debate has made much use of the phrase 'hard-working families' as the rightful focus of government policy. This suggests there are families who do not work hard and who do not deserve our support. We do not know who the families are who are not working hard but assume that this refers to families who are not in paid work. Yet people who are out of paid work are usually working very hard indeed – either as parents, carers, coping with ill health or disability or trying to up-skill and gain employment.
 - Youth justice and anti social behaviour. Government policy often treats children in different and contradictory ways. Support around younger children – witnessed by discussion of early life chances, investment in childcare quality and sure start – is balanced by often negative commentary around educational dropouts, yobs, hoodies and anti-social behaviour. The balance of language aimed at pre-teens therefore tends to be positive, supportive; that

at teenagers much more likely to be punitive. There are many issues affecting both young people and the communities in which they live which are worthy of policy attention, but to frame intervention in punitive, blaming language further alienates young people, whips up fear in the wider community and does nothing to address the structural causes of the deprivation which may be linked to 'problem' behaviour.

- Benefit fraud. Though benefit or tax credit fraud requires tackling we believe that the public significantly overestimates this resulting in prejudice and the stigmatising of the overwhelming majority of claimants. By maintaining high profile commentary on benefit fraud^{xxviii} government exacerbates this stigma. Prejudices around benefit fraud are likely to reduce take up (individuals may not wish to associate themselves with a stigmatised population) and constrain government spending on more effective ways of tackling poverty and contracticting anti-poverty goals.
- Asylum policy. Policy to support families varies by immigration status rather than need. We do not believe that those seeking asylum have lower costs than the rest of the population and we do not believe that it is morally right or practically defensible that they have lower benefits. Government has a legitimate role in assessing entitlement to stay in the UK but to link this enforcement to benefit entitlement results in children being treated solely as asylum seekers and not as vulnerable children. It undermines anti-poverty goals and provides a poor start for those families who may be granted the right to remain

47. *Poverty proofing.* To maintain a high profile commentary and consistent policy on tackling child poverty, the Treasury needs to keep up the pressure to ensure all departments consider tackling child poverty as core to policy aims. Such a process might be akin to the business impact regulatory assessments which accompany new legislation. We support the work going on around the Child Poverty Accord to develop this work with local authorities but on both a national and local level more needs to be done to embed concern with child poverty within all areas of policy activity.

48. *Spending to save.* Finally in this section we urge Treasury to make more of, and develop analysis, around the costs of poverty to society as well as to individuals. This area of analysis is poorly developed in the UK, but all we know around patterns of ill-health and barriers to educational achievement and skill acquisition imply both remedial costs (to the health or education systems for example) and opportunity costs of lost economic development.

49. Finally we urge government to be more open about its own policies of reducing child poverty – and about what more is needed to reach the 2020 target.

Key recommendations

To finish this submission, we end by summarising its key recommendations.

We call for the material deprivation and low income combined measure of child poverty to be both a 'moderate' definition of material deprivation and that there needs to be a numeric continuity between the new measure and the previously used after housing cost measure.

Where parents want to and are able to work they should be supported to do so by removing barriers to employment, not forced by loss of benefits.

Though work provides a route out of poverty for those able to take it up, low paid work does not and so increasing the employment rate alone is not an adequate solution to child poverty.

Tackling child poverty using a relative income measure means providing safety net benefits at (or above) the level of the poverty line. The poverty gaps within the system currently need to be narrowed and eliminated if child poverty is to be truly eradicated.

Government should address its future uprating formulae - without uprating the combined value of the safety net to ensure it at least keeps track of growth in median income progress made in tackling child poverty may slip back particularly for the most vulnerable children.

We recommend government seriously considers the level of child benefit, and gives particular attention to redressing the lower rate of the benefit for subsequent children.

We are concerned that the Department of Work and Pensions lacks the capacity to effectively deliver its welfare reform programme in both the CSA and in Job Centre Plus. We call on the Treasury to ensure both that the DWP delivers a programme which supports lower income families and that it has adequate resources to deliver this.

Tax credits are key to tackling child poverty and we support them in achieving this aim, but to do so they must be made to work much better in the interests of lower income families and tackling child poverty.

Government rhetoric and policy which seeks to distinguish between those worthy and those unworthy of our support feeds victim-blaming prejudice and undermines collective public support for poverty reduction.

We urge Treasury to make more of, and develop analysis, around the costs of poverty to society. We also call on government to be more open about its own ambitions for reducing child poverty – and about what more is needed to reach the 2020 target.

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 extent, nature and impact of poverty; bring about positive income policy changes for families with children in poverty; and enable those eligible for benefits and tax credits to have access to their full entitlement. CPAG works through its teams based in both London and Glasgow.

About Children in Wales

Children in Wales is the national umbrella children's organisation in Wales. We bring organisations and individuals together to: Make the United Nations Convention on the Rights of the Child a reality in Wales; fight for sustainable quality services and fair shares for all children and young people; ensure special attention and treatment for

children in need and those who are marginalized; and give children and young people a voice

About End Child Poverty

End Child Poverty is a coalition of organisations from the voluntary, private and public sectors campaigning to ensure that the goal of eradicating child poverty becomes a reality

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ⁱ As implied in the 1948 UN Declaration of Human Rights

ⁱⁱ G Preston, 2005, *At Greatest Risk*, Child Poverty Action Group

ⁱⁱⁱ Department for Work and Pensions, *Measuring Child Poverty*, 2003

^{iv} CPAG, Spring 2004, Supplementary evidence to the Work and Pensions Select Committee inquiry into child poverty, available at www.cpag.org.uk

^v Based on analysis of Department for Work and Pensions, 2005, *Households Below Average Income An analysis of the income distribution 1994/5 – 2003/04*, National Statistics

^{vi} Department for Work and Pensions, 2005, *Households Below Average Income An analysis of the income distribution 1994/5 – 2003/04*, National Statistics

^{vii} To ensure this is concurrent with benefits the 2003/04 poverty line has been projected forward using earnings inflation from Sept. 2003 to April 2005. It has been equalised using the McClement scale and rounded in line with HBAI practice.

^{viii} Sum of Income Support, child benefit and child tax credit

^{ix} Gap between the first two columns expressed as a percentage of the poverty line. The figures do not always tally precisely here because of rounding errors.

^x Figures from Department for Work and Pensions, *The Abstract of Statistics for Benefits, Contributions and Indices of Prices and Earnings*, 2005

^{xi} There are immigration restrictions placed upon child benefit but it does go to the vast majority of children in the UK.

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- ^{xii} Figures from Department for Work and Pensions, *The Abstract of Statistics for Benefits, Contributions and Indices of Prices and Earnings*, 2005
- ^{xiii} This case has been argued in both CPAG, *Ten steps to a society free of child poverty*, 2005 and also in the End Child Poverty coalition's, *Ten policies to take one million children out of poverty by 2010*, 2005. The later document further argues for the rates of child benefit should be equalised.
- ^{xiv} And indeed HM Treasury's 2004, *Child Poverty Review* announced an intention to improve the relative position of larger families
- ^{xv} The Performance of the Child Support Agency, Second Report of Session 2004-2005 Volume 1, p.3. House of Commons Work and Pensions Select Committee, HC 44 – 1, 2005.
- ^{xvi} Department for Work and Pensions, Child Support Agency Quarterly Summary Statistics: September 2005, table 13
- ^{xvii} Department for Work and Pensions, 2005, *Households Below Average Income An analysis of the income distribution 1994/5 – 2003/04*, National Statistics
- ^{xviii} The provision of data on the new scheme cases is very limited.
- ^{xix} Department for Work and Pensions, Child Support Agency Quarterly Summary Statistics: May 2005, table 4.1. There may be some double counting in these figures in linked cases.
- ^{xx} Including the Health and Parliamentary Ombudsman, Citizens Advice, Public Accounts Committee and National Audit Office.
- ^{xxi} Available at www.cpag.org.uk
- ^{xxii} Though we know the methodology of part of this target (based on relative incomes, and using before housing cost data equalised using the modified OECD scale) we wait to see the precise basis of the proposed material deprivation and relative low-income combined Public Service Agreement target, our positions on this has been set out elsewhere.
- ^{xxiii} This makes use a modelling programme, initially derived for Evans, M and Eyre, J, 2005, *The opportunities of a lifetime*, Joseph Rowntree Foundation, the programme has been updated for this analysis but the architecture and many of the assumptions remain consistent.
- ^{xxiv} See HBAI table 4.4
- ^{xxv} See Weaver, M, 'Government attacked over rent rises', *Guardian Society* Wednesday 9th November 2005
- ^{xxvi} In evidence to the Work and Pensions Select Committee, reported in published report (note 1), para.67.
- ^{xxvii} March 2005, *Making the case for more equal life chances*, Press Release available at http://www.fabian-society.org.uk/press_office/display.asp?cat=24&id=433
- ^{xxviii} For example in 2005 (up to October), the DWP released 59 press releases on social security fraud, and just 12 on child poverty.