



Ending Child Poverty

A briefing for the Westminster Hall debate,
6th March 2007

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Introduction

This briefing for the Westminster Hall debate on child poverty (Tuesday 6th March) outlines CPAG's assessment of current progress on child poverty and what we see as necessary to reach the goal of eradicating child poverty once and for all. The briefing considers current progress on child poverty, looks at employment, income and education and concludes with CPAG's proposals for the Comprehensive Spending Review.

The timing of the debate is good: we are in the run up to the Comprehensive Spending Review, eradicating child poverty is now supported by all of the three principal political parties, and the debate comes hard on the heels of the UNICEF report into child wellbeing which placed the UK at the bottom of a list of 21 countries. The UNICEF report was criticised by some as being out of date. However, while it is true that some of the indicator data predates some of the measures introduced since 2003 (especially tax credits), which have been generally moving in the right direction, national indicators such as the *Opportunity for All* series show how terribly slow progress has been. The UNICEF report should not be lightly brushed aside.

The UNICEF analysis illustrates three key issues:

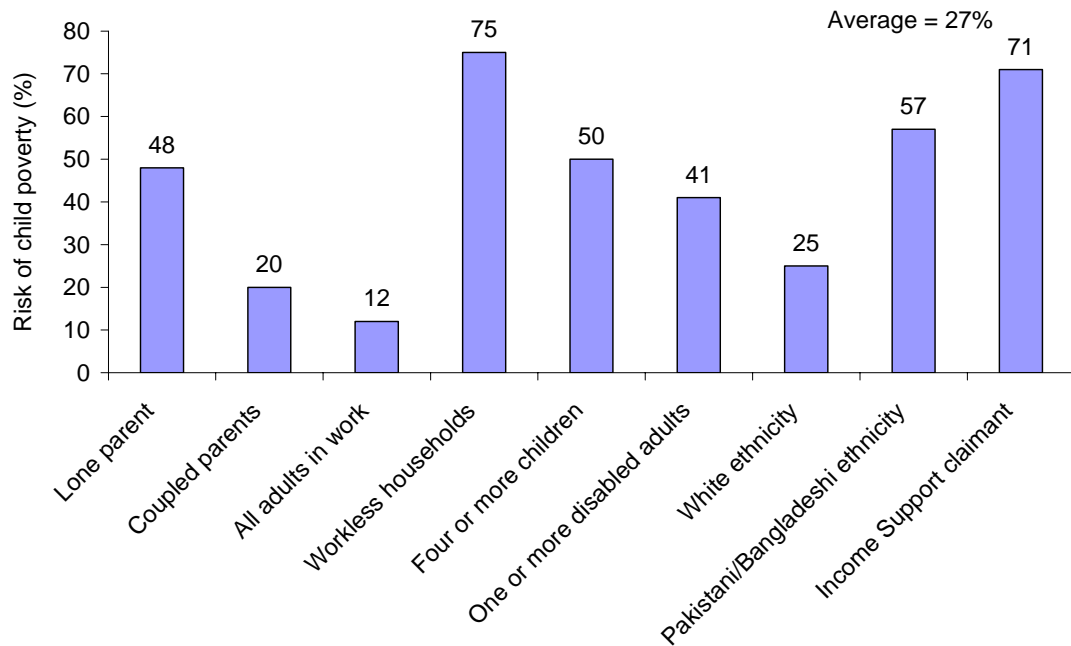
- Other countries provide child friendly environments in which children grow up happier, healthier and more able to achieve their potential than they do in the UK. If other countries can achieve this so can the UK;
- If the UK is to improve the wellbeing of children we should look for ideas in countries at the top, and not – as is currently the case - the bottom of the list. So, instead of looking to the United States (which scores second to worst overall), we should be looking at Northern European examples. The countries at the top of the list are the Netherlands, Sweden, Denmark and Finland;
- Finally the widespread coverage of the UNICEF report illustrated genuine public concern over child wellbeing and poverty and a public appetite for change. As members of the Campaign to End Child Poverty CPAG is keen to build on this public consensus. However, much clearer political leadership is needed to make and sell the case for reducing child poverty.

Assessing progress

Although the progress which has been made in reducing child poverty has been substantial, it is still far too little. The latest child poverty figures for 2004/05 show that since 1998/99 child poverty has fallen by 700,000, from 4.1 to 3.4 million, a drop of approximately 17 per cent, on the after housing costs measure. It has also fallen by 700,000 on the before housing costs measure, from 3.1 million to 2.4 million, a drop of approximately 21 per cent.

The Government failed to achieve its target of reducing child poverty by a quarter between 1998/99 and 2004/05, which used a poverty line of 60 per cent of median income both before and after housing costs. To meet its target on the after housing costs measure child poverty would have needed to have fallen by a further 300,000 to 3.1 million, and on the before housing costs measure by a further 100,000 to 2.3 million.

Chart 1 shows how unequally distributed are the risks of child poverty:



Source: Households Below Average Incomes Series, data is after housing costs and for 2004/05

The second target will be judged on a different measure from the first target. It will only focus on incomes before housing costs, as well as adjusting for family size in a different way. It will also include a material deprivation index. Child poverty has to fall by about one million between 2004/05 and 2010/11 in order to meet the Government's target to reduce child poverty by half. This requires a faster fall than has been the case so far. In order for the child poverty targets to get back on track, the following issues need to be addressed.

Welfare to work

CPAG is supportive of the Government's 80 per cent employment aspiration, and agrees that for those who are able to work, paid work can form the best route out of poverty. Moves to increase employment rates combined with policies to increase returns to work should have a significant anti-poverty pay off. However, we do not support the proposed extensions in powers to impose benefit sanctions suggested in the Freud review. We also have significant concerns around the use of non-state contractors to deliver services and make decisions.

However, some people cannot, and may never be able to work (possibly because of health problems, additional caring/parenting responsibilities, or both). Access to adequate benefits that safeguard these families from poverty is essential. Furthermore, for others work has proved to be a precarious and ineffective route out of poverty: over half of poor children (54 per cent) actually have a parent in work. To prevent welfare to work programmes simply shifting families from workless poverty to in-work poverty, we urge the Government to develop the approach recommended in

the recent Harker report commissioned for the Department for Work and Pensions.¹ In outline CPAG argues that this means:

- Placing much more emphasis on job sustainability rather than simply entrance to work, and monitoring and measuring not just moves into employment, but job sustainability and progress. This will prevent vulnerable groups simply cycling in and out of work. Early findings from the 'Employment Retention and Advancement demonstration pilot' which was created to explore strategies for improving sustainability and progression within work, indicates that the support and advice elements look promising.
- Identifying parental needs, and providing more support to enable them to balance working and caring. For example Harker - who identifies lack of adequate childcare and not a lack of willingness to work as the key barrier to employment – suggests a 'New Deal for Parents'.
- Emphasising skills development (linking up with the Leitch review proposals) and providing more personalised support and advice to facilitate this and ensuring training reaches the lowest skilled.
- CPAG also believes that much more should be expected of employers. Low employment rates are generated by barriers to employment – including low skill levels, low pay, working patterns that are too inflexible to match parenting responsibilities, and discrimination.

Financial support

Although maximising income from employment is also critical, the labour market is not sensitive to the presence or number of children. As discussed above, for some families (for example where severe disability is an issue) work will simply never be a practical option. The state needs to provide an adequate safety net for these families.

Although poverty is about more than money, plans to tackle poverty must address income adequacy to be seen as credible. CPAG recognises the significant progress which has been made in raising child payments through the child tax credit and child benefit for first children. However, for most families, the safety net still pays (well) below the poverty line. The following table compares the value of the safety net (combined elements of income support, child tax credit and child benefit) and the poverty line (as of April 2006):

¹ Harker, L. 2006. *Delivering on Child Poverty: what would it take?* A report for the Department of Work and Pensions, DWP, 2006

Table 1: The poverty line and the safety net

Household type and composition	Poverty line (£)	Safety net (£)	Poverty gap %
Couple both aged 25 (child 4 years old)	240	152	36.6
Single aged 25 (child 4 years old)	148	119	19.5
Couple both aged 30, 2 children (5 and 11)	299	198	33.8
Single aged 25, 2 children (5 and 11)	207	165	20.4

Note: CPAG analysis, figures are for April 2006, poverty line has been projected to this point. Figures are after housing costs.

This table indicates that safety net benefits pay an inadequate level of income to draw some families above the poverty line. (For some families the situation is even worse than the figures suggest: for example, the poverty line is not sensitive to the needs of families with a disabled member).

In order to improve families' incomes CPAG believes the following issues should be addressed:

- **Rate of the combined value of financial support for families:** child benefit, child tax credit and income support should be increased so that the safety net at least matches the poverty line: no families should live below this level. In recent years child payments have been made more generous but income support has not – this is undermining family incomes;
- **Make Child Benefit Count:** the relative importance of child benefit - a popular and well functioning benefit which reaches more children in poverty than any other benefit or tax credit – should be increased within the balance of financial support for children. Child benefit is well functioning and does not suffer the non-take up experienced in tax credits. Because it is not withdrawn with additional labour market income it also supports work incentives. We believe the government should increase the subsequent child benefit rate to that of the first child. Increasing amounts for second and subsequent children would particularly help to reduce child poverty in larger families and has been modelled at reducing poverty by between 250,000 and 300,000 children;
- **Increase the income support disregard in child support:** the child support white paper proposes an extension to all parents of the current disregard which allows parents with care on the new scheme to retain £10 of income support. It also suggests a much larger disregard of maintenance from 2010/11. CPAG believes that a larger (preferably a full) disregard is a direct way of increasing compliance (by encouraging parents to co-operate) and of tackling poverty. The Government is clearly concerned about the potential work incentive effects of increasing the disregard. However the evidence on this is unclear. Research has not explored the ways in which a stable maintenance income may improve entrance to work, something a larger disregard could help to deliver.

Education – make education more inclusive and tackle the attainment gap

Children growing up in poverty are much less likely to fulfil their ability than other children. Since education is a key predictor of later life chances improving results and tackling the attainment gap is a key mechanism to sustain lower levels of poverty in the future.

The focus by policy makers on education is welcome and we would particularly support exploration of the funding differentials between schools with a more or less deprived intake with a view to increasing resources for schools with the highest needs: schools with the poorest children need the best teachers, leadership and facilities.

CPAG believes that state education should be free at the point of delivery but there are lots of aspects of education which cost money: school meals; school uniforms; trips and activities; and extended schools. It is important that additional costs do not prevent children from being able to access activities which offer particular benefits for the most disadvantaged children and young people. This is particularly important given the development of additional educational opportunities within extended schools. Educational costs confront lower income families with an invidious decision between sacrificing family income to pay for school activities or seeing their children go without the basics, and thereby marking them out from their peers as poor and different.

What else is needed?

In 2006 the Joseph Rowntree Foundation (JRF) and the Institute for Fiscal Studies drew together social policy experts along to ask the question: what would it take to eradicate child poverty? The resultant report² argued that a mixture of tax credit and benefit investments was needed to help reach the 2010 target on child poverty, and that a greater effort around improving educational attainment for the poorest children was needed to reduce and hold child poverty at a low level.

As part of the Campaign to End Child Poverty, CPAG has been calling on the government to commit the level of resources called for by the JRF analysis, which showed that an investment of between £4 and £5 billion was necessary to halve child poverty. Making steps towards this affordable goal is crucial if we are to get back on track towards the 2010 goal.

CPAG has published a briefing to inform the Comprehensive Spending Review, which is available online.³ However in summary the document argues that policy should seek to:

- Provide most for those children at greatest risk of poverty.
- Work towards better jobs, not just more jobs.
- Ensure the safety net protects families against poverty.
- Maximise the contribution of child benefit within family support.

² Hirsh, D, 2006, Ending Child Poverty, firing on all cylinders, Joseph Rowntree Foundation

³ http://www.cpag.org.uk/info/briefings_policy/CSR_2007/CSR_2007_briefing.htm

- Introduce free at the point of delivery good-quality childcare.
- Make the reduction of child poverty central to the new child support policies.
- Make education truly free at the point of delivery.
- Provide benefit entitlement to all UK residents equally, irrespective of immigration status.
- Reduce the disproportionate burden of taxation on poorer families.
- Improve the quality of delivery and gear it to the needs of the poorest families.

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.

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