

What is needed to end child poverty in 2020?

Round-up
Reviewing the evidence

November 2008

How realistic is the government's pledge to end child poverty by 2020? The strategy is hugely ambitious and progress has stalled. This *Round-up* draws on the findings of seven reports about how to take forward different aspects of a child poverty strategy; examines the impact of current policy; and suggests what is needed to ensure the target is met.

Key points

- Over the last few years a significant reduction in child poverty has been achieved, backed by significant resources. However, further progress depends on a big shift that raises the level of resources invested and widens the scope of anti-poverty measures.
- The strategy requires over two million more children to be taken out of poverty, four times the progress since 1997. No single policy can achieve this. Only if worklessness is reduced and benefits raised and working parents' earnings improved does the strategy stand a chance of success.
- Improvement of in-work incomes is particularly needed – there has been little progress on reducing in-work poverty and existing policy tools seem inadequate.
- The child poverty strategy will need to help parents into jobs but also consider factors affecting their earnings opportunities, including:
 - the adequacy of childcare;
 - job flexibility for parents;
 - the level of parental skills; and
 - how these are used by employers to create quality employment.
- Ending child poverty will depend not just on provision but on the behaviour of individuals, employers and public bodies, including:
 - decisions taken by families about working patterns, including whether both members of a couple work, as well as the number of working hours;
 - whether employers offer parents good quality jobs, with hours that meet their wants and constraints; and
 - whether government agencies provide support that genuinely responds to individuals' needs.
- Families, employers and government need to work together to combat child poverty:
 - This partnership needs to deliver improved routes into work, so that parents can work in a way that complements their family lives.
 - It needs to repair the damaging mistrust between families and the state, and create a benefits and tax credits system that reliably helps families to escape poverty.
 - Finally, basic benefits need to provide an adequate foundation for improvement in families' lives, enabling them to avoid hardship and debt.

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Introduction

In 1999, Tony Blair announced the goal of eradicating child poverty in a generation. The scale of this ambition surprised many observers, not least because it soon became clear that this was being treated as a measurable goal backed by interim targets. Helped by welfare to work and tax credit policies, child poverty started steadily falling in the late 1990s, the first sustained fall in a generation. Soon, optimistic lines drawn on graphs were suggesting that, if not quite on target, the progress being made was going firmly in the right direction and with a little extra effort the targets may be achievable.

Today, the picture looks rather different. True, the political desire to reduce and eventually eradicate child poverty remains strong, has spread across the political spectrum, and has been taken up by devolved administrations in Scotland, Wales and Northern Ireland. Nor is the UK government's main target mere rhetoric – in the past two Budgets, in which resources were scarcer than at any other time in the past decade, substantial new money has been found to redistribute to low-income families. However, this was a response to recent figures showing that the fall in child poverty has started to reverse. Most commentators agree that even with the new funds it will still take a lot more to reach the interim 2010 target of halving child poverty, and that achieving 'eradication' in 2020, however interpreted, will be harder still.

What has gone wrong, and can it be put right? Part of the problem can be attributed to a lack of adequate follow-through: redistributive measures up to 2003 were not continued over the next five years and have only recently been renewed. Modelling work carried out for the Joseph Rowntree Foundation (Hirsch, 2006) showed that continuing this redistribution could, in combination with plans to step up back-to-work programmes for lone parents, achieve the 2010 target with an injection of just over £4 billion a year. Nearly half of this additional funding has since been announced.

But as acknowledged by the same report and pointed out by many commentators on the 2020 target, further redistribution is not all that is required for full eradication. At present patterns of employment and earnings, even adding in optimistic assumptions about gains from existing and planned welfare to work measures, something of the order of £30 billion a year above current plans would need to be redistributed to get child poverty below 5 per cent in 2020 (Hirsch, 2006). This suggests that only if working and earning patterns for parents change substantially would it be possible to eradicate child poverty at a conceivable level of public spending.

The government's recent strategy document, *Ending child poverty: everybody's business*, acknowledges that 'more of the same' will therefore not be enough. In particular, success will require a wider range of new opportunities for parents to work and to progress within work, simultaneously raising their own incomes and reducing the cost to the state of topping them up. This will require action not just by the state in promoting opportunity but by employers in terms of the kind of jobs that are offered; by parents in taking them up; and finally by parents in acquiring education and skills that improve their prospects.

But how can this be achieved? In *Ending child poverty: everybody's business*, and elsewhere, there are plenty of individual ideas about measures to promote better outcomes. Policies at the UK level are being complemented by initiatives by devolved administration. For example, following on from its 'Closing the Opportunity Gap' programme, the Scottish government is now designing a new Anti-poverty Framework. The Welsh Assembly has passed legislation to 'poverty-proof' public bodies' actions. Local authorities are also playing their part, guided by new local child poverty indicators. But will such measures at all levels be enough to create the huge shift that is needed? The Joseph Rowntree Foundation has commissioned a range of reports to explore not just the type but the scale of changes required.

This *Round-up* discusses what is now needed for an effective poverty eradication strategy. It draws on the other reports, without attempting a synthesis of the various individual perspectives of the other authors. To set the scene, it takes a brief quantitative look at how much progress is needed in terms of poverty risks in and out of work, and of movement into work, and relates these numbers to the quantity of change seen over the past decade. It then discusses the range of actions needed to tackle child poverty further, considering how three overarching themes of support, opportunity and behaviour interact. It suggests that incremental reform will not be enough to meet up to the challenging targets, and that further innovation is needed both in terms of what is provided by government and how different partners in combating child poverty relate to each other.

The research

Davies, M. (2008) *The effects of discrimination on families in the fight to end child poverty*

Dickerson, A. and Lindley, J. (2008) *Parental qualifications and child poverty in 2020*

Evans, M. and Williams, L. (2008) *Tackling child poverty when parents cannot work*

Kenway, P. (2008) *Addressing in-work poverty*

Simmonds, D. and Bivand, P. (2008) *Can work eradicate child poverty?*

Strelitz, J. (2008) *Ending severe child poverty*

Waldfoegel, J. and Garnham, A. (2008) *Childcare and child poverty*

The challenges for the ‘end child poverty’ strategy

In 2006/07, 2.9 million children were living in poverty on the government’s official measure. How much does this figure need to go down to meet the 2020 target? Interpretation of what it means statistically to ‘eradicate’ child poverty has been subject to some debate (see Box 1), but for the figure to fall to below 5 per cent, child poverty would need to be below 0.6 million by 2020. This means that upwards of two million children need to be lifted out of poverty over the next twelve years, about four times the reduction in child poverty so far.

Box 1: What is a reasonable measure of ‘eradiction’?

It has been accepted that ‘eradication’ of child poverty, in the literal sense of no child being in a family with below 60 per cent of median income as measured in a survey, is impossible, if only because some families (such as people making a business loss) can have temporary low incomes despite being well off. It is hard to estimate the lowest level of measured child poverty that is technically possible, but it must be at least as low as the lowest that has been achieved in reality by a European country. This is around 5 per cent (Luxembourg Income Study, 2000)¹. It may be possible to get child poverty lower, but any target that is higher than this cannot plausibly be described as ‘eradication’.

The government view set out in *Measuring Child Poverty* (DWP, 2003) was that the 2020 target for relative child poverty should be interpreted as “among the best in Europe” on the basis that even Scandinavian countries had shown that there will always be some families with transitory low income who are not in hardship. In *Ending child poverty: everybody’s business* (HMT, 2008), the Government pointed out that child poverty rates in Scandinavia are now rising towards 10 per cent. Taken literally, the ‘best in Europe’ benchmark suggests that the UK should lower its ambitions for 2020 if this deterioration in other countries is sustained. This would imply abandoning the principle of eradication, since it no longer relates the UK’s ambitions to the lowest level that may be technically possible but to performance compared to other countries at the present time.

It would be easy to dismiss this as being an impossible task, relative to the kinds of tools we have at our disposal. Any conceivable policy can, on its own, achieve only a small part of this. Suppose for example that as a result of strenuous government efforts to move more lone parents into work, half the children with non-working lone parents below the poverty line were lifted above it because their parents got jobs. This is an extremely optimistic scenario given that over the ten years to 2006, despite a successful programme to encourage many more lone parents to work, the actual number of children in poverty with non-working lone parents fell by only 10 per cent (HBAI, 2006/07). In addition, poverty risks remain high for some groups of children with working parents: one in five children of lone parents in part-time work remain in poverty. But even such a dramatic change – half of children in poverty with non-working lone parents raised above the poverty line through work – would in itself only reduce child poverty by about 450,000, a fifth of the required drop.

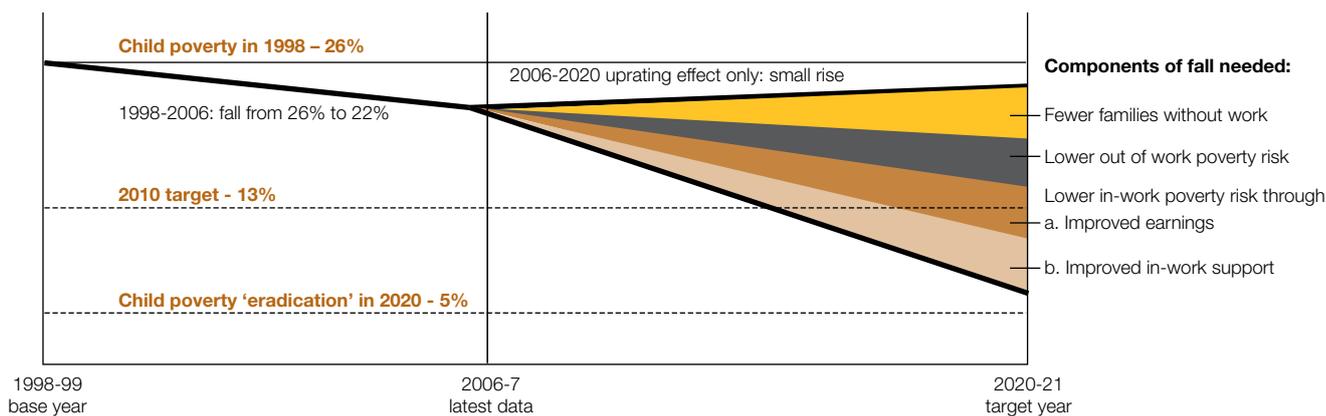
This example shows how hopeless it would be to rely on a single main policy tool, such as getting lone parents into jobs, if the ambition is really an across-the-board eradication. On the other hand, a wide range of policies, each ambitious in its own right, could potentially achieve the desired effect. Al Gore, in his film and book *An Inconvenient Truth*, used a graph to show that many individual actions to reduce CO₂ emissions could combine and add up to the reversal of a trend – a powerful argument against despair. Similarly, the required reduction in child poverty could be broken down as shown in Figure 1.

The starting point for this illustration, a gradual rise in child poverty under the existing upratings system, occurs because many benefits and tax credits are being uprated more slowly than average earnings (Sutherland *et al.*, 2008)². To move child poverty in the opposite direction, a combination of measures would need to do several things:

Reduce further the proportion of children in families without work

From 1996³ to 2006 this fell from 23 per cent to 18 per cent (and in households without work from 21 per cent to 15 per cent). Further falls will depend on a range of factors influencing opportunities and behaviours. These include factors influencing the situation of individual parents, including their education and skill levels, the availability of suitable childcare when and where it is needed, and the type of extra help available to those who might otherwise face difficulties in the labour market. But labour demand will also be important: the state of the economy will in the medium term influence how many jobs are on offer; in the longer term, job opportunities for parents will depend on the types of jobs available, including their level of flexibility and

Figure 1: An illustration of the components of eradicating child poverty



whether they offer reasonably secure employment on pay rates that make working worthwhile.

Lower the out-of-work poverty risk

Given that at any time a certain proportion of children will have parents not working, the basic level of financial support, and especially the ways in which it is uprated, will be crucial. From 1996 to 2006, the risk of poverty for children whose parents were not working fell somewhat, from 64 per cent to 58 per cent for those with lone parents, and from 71 per cent to 68 per cent for children living with couples. However, the risk remained high because basic benefits are insufficient to lift families out of poverty. In bringing this risk down, rises in benefits will be the crucial factor: rather than having some benefits rising with earnings and some in line with prices as in the present ‘default’ policy⁴, benefits would on average need to rise faster than earnings. Such a change would be easier to contemplate if in-work earnings for parents in relatively low-paid jobs rose, since this would potentially allow work incentives to be maintained and release considerable sums from the tapering of tax credits that would make higher benefits more affordable (as would a lower rate of worklessness).

Lower the risk of poverty in work

As emphasised by Peter Kenway’s report, this is the feature where progress in the past decade has been most disappointing. A child in a household with all adults working has an 8 per cent chance of being in poverty, or 29 per cent chance if only one adult is working – exactly the same in 2006 as in 1996. While tax credits are lifting more children out of poverty, this has been offset by a rise in the number who would be in working poverty without the help of tax credits. Whether this is because parents who might previously not have worked are in poorly-paid part-time jobs or because of other factors (including the existence of tax credits) putting downward pressure on wages and earnings, the 1.7 million children in working households below the poverty line call into question the current policy that

‘work is the best route out of poverty’. Therefore further solutions need to address earnings levels and not just the role of tax credits in topping up low earnings. Nevertheless, the latter is relevant, especially because elements of existing top-ups could fall considerably in relative value, given that not all elements are uprated even in line with prices⁵.

The above breakdown tells us what the measured outcomes of policy need to be in order for targets to be met. They do not, however, tell us what will influence the many interacting changes needed in order to get to these objectives. But in considering these, we must bear in mind the required ‘bottom line’ outcomes outlined above: a reduced risk of poverty in work, a reduced risk of poverty out of work and a reduction in the number of children in families without work.

Support, opportunity and behaviour: getting the chemistry right

Consider the following three statements about ending child poverty:

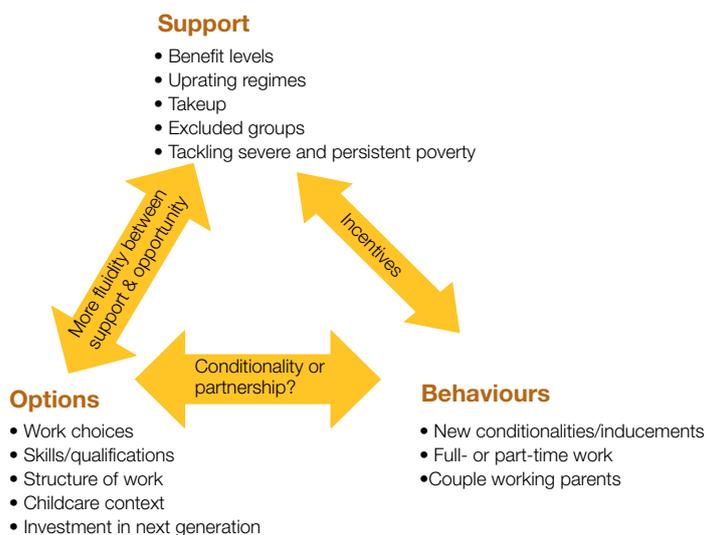
“Ending child poverty is simple. You just need to raise benefits to a level that is above the poverty line.”

“Work is the best route out of poverty. We just need to help parents find the jobs that will enable them to provide for their families.”

“Ending child poverty requires parents to behave in different ways. They must be persuaded to take up opportunities that will raise the mobility of their children and improve their own economic well-being.”

Each of these statements contains elements of controversy and elements of truth. It is undoubtedly the case that any strategy to end child poverty must

Figure 2: Three strands of the solution



involve an improvement in financial support for parents, better opportunities to take up worthwhile jobs and new types of behaviour in accessing the opportunities available. The important thing, however, is that none of these factors will work in isolation. Rather, we need to consider the many elements shaping the situation of a family, and how they interact. The reports emphasise this, by showing for example that it is no good expecting new behaviours of parents if key elements like childcare do not make these actions feasible. Instead, we must consider the whole chemistry of the interactions between support, opportunity and behaviour, as illustrated in Figure 2.

The JRF reports illustrate in multiple ways how support, options and behaviours interact, and raise important issues about how policy needs to address these issues.

Improved support regimes

For people with a basic need for financial support, who are not working, there are several inadequacies with the present system. The most basic is that benefits are not high enough to lift most non-working families out of poverty. This is a particular problem for families out of work for long periods, who often face mounting difficulties associated with the long-term damage to children deprived of an adequate family income, and have mounting family debt. Others who fall through the cracks of the system include asylum-seekers, and those who do not take up their entitlements.

Davies argues that many people in poverty feel highly disconnected from services and the way that they are delivered. Strelitz suggests that the extra disadvantage faced by people in severe or persistent policy needs to be addressed, giving greater attention to what makes people fail to access services and claim benefits.

Strelitz suggests that we need to pay greater attention to people falling well below 60 per cent median income, rather than those just below the line who could be moved across it. Additionally, Kenway argues that moving people across this line should not be the end of the story. He suggests that we should pay attention to how support systems enable people to progress to a better standard of living above the poverty line. Thus, the design of benefits and tax credits needs to address the needs of groups on a range of incomes. These can range from a family in dire poverty with no earnings and an income below 40 per cent median income, to families with as much as 50 per cent income more than that, just above the poverty line but with relatively high effective tax rates, who find it very difficult to improve their lives further. This latter point is stressed in a recent JRF report on minimum income standards, which suggested that a family with children needs about 70 per cent median income to achieve a living standard thought to be acceptable to groups of ordinary people (Bradshaw *et al.*, 2008).

Avoiding the can-can't work distinction

Any analysis of the structure of financial support needs to be related also to the kind of opportunities that are available to people, as suggested in Figure 2. Evans & Williams mount a serious challenge to the concept that 'support' should be for 'those who cannot'. They suggest on the contrary that we should rethink the ways in which people are supported who spend some time inside and some time outside the labour market. This is consistent in principle with the approach taken by the Employment Support Allowance, in which flexible support is provided to meet individuals' circumstances, but much will depend on the quality of this support and of personal advisers. The structure of financial support may also need further rethinking. Part of this is about people having heavier needs at certain times in their lives, such as when they have infants in their family; at these times extra financial support is needed even for those who at other times may be able to work. But it is also about providing greater continuity of income, for example for those who face periods of sickness. Evans & Williams suggest that 'income smoothing' for those who move in and out of work needs to be rethought.

A wider point about the relationship between support and opportunity is the need to create a system that users feel is 'on their side' – with a combination of benefit assistance and practical help to access opportunities, responding to each individual's needs. This relies on good, well-trained, well-resourced, properly managed personal advice, guided by the needs of individuals rather than rigid targets or incentives to achieve fixed outcomes. Davies repeatedly points to the opposite: that benefit claimants feel that the system, rather than delivering quality help, is working against them. For several years now the government has been trying to create a more integrated

system of financial support, advice and assistance for those moving into work. Yet it clearly still has a long way to go.

Widening opportunity

Nobody disagrees that at the heart of an anti-poverty policy needs to be measures that open up opportunities, helping individuals and families to help themselves. The New Deal programmes, together with Jobcentre Plus and the tax credit system, have sought to do this over the past decade, giving practical support and advice in finding work by making work pay. They also engage a range of claimants who might not otherwise have actively considered working as an option, in work-focused interviews.

Yet as accepted by *Ending child poverty: everybody's business*, these measures are not enough on their own to provide the range of opportunities needed to meet future targets, for three main reasons:

- Simply moving someone into work is often only a first step to improving their prospects over the longer term.
- No amount of welfare advice or job help will provide opportunities to people ill-equipped to find worthwhile work – for example, because they have low skills or qualifications or because they lack access to adequate childcare.
- Finally, many of those who remain outside work need more intensive help to enable them to function in the labour market.

In this context, there is a lot to do if opportunities for parents in 2020 are to be compatible with eradicating child poverty. Key requirements include:

- Improved skills and qualifications, especially for people growing up in families that have an intergenerational cycle of poverty and poor qualifications. A long-term improvement in

Box 2: What contribution could improved education and skills make to the fight against child poverty?

There is a growing consensus that an improvement in education and skills of parents on low incomes lies at the heart of any long-term strategy to reduce child poverty. This seems self-evident, given that employment chances and earnings are strongly associated with education and skill levels.

How much might child poverty go down as a consequence of a different distribution of adult skills? A simple JRF modelling exercise (Dickerson & Lindley, 2008) asks how much difference it would make to child poverty if the distribution of occupations and skills envisaged by the Leitch review, which assessed Britain's future skill needs (HMT, 2006), were to be achieved by 2020.

The estimate produced by this exercise suggests that upgrading skills could make a significant difference towards reducing child poverty, with a fall of between two and five percentage points in the child poverty rate. On these figures, up to 30 per cent of the task of eradication could be achieved through such 'upskilling'. This would occur as a combined result of higher earnings and increased employment chances.

It should be emphasised that this is only a preliminary estimate, and that there is considerable scope for further work in this area to develop the modelling proposed and explore some of the assumptions made. What it indicates is that there is much to play for in developing the education and skill levels of future parents who might otherwise risk family poverty.

A generalised strategy to raise educational attainment levels may not be a targeted enough strategy to achieve this. In the past, expansion of attainment rates (for example at higher education level) has disproportionately benefited people from better-off backgrounds. At every stage of education, those from poorer families do worse (Cassen and Kingdon, 2007). Only by reversing this historic trend can the government deliver the kind of impact on child poverty suggested in this research.

Moreover, a more favourable skills profile among parents will not in itself be enough. Much depends on employer practices – on whether an improved skills base encourages employers to refashion work so that there are more high-quality, well-paying jobs. If they do not, a flood of newly-skilled workers will simply mean that more people have to do work for which they are overqualified, and the financial reward for skills assumed in the modelling exercise is reduced. On the other hand, given that many people already have skills that are not being used, a more effective use of skilled labour could lead to improvements in these rewards. In this case, the impact on poverty could actually be greater than shown in this modelling.

qualification levels along the lines suggested by Lord Leitch is a crucial step (see Box 2). This requires policy to address squarely the factors that cause disadvantaged children to experience worse outcomes in childhood, from early childhood learning to experiences inside and outside school (Hirsch, 2007).

- A more effective approach to the acquisition of skills during adulthood of individuals disadvantaged in the labour market. This argues in particular for much better integration between employment and skills services. It also requires new efforts to give adults better information, advice and guidance (IAG) that helps them access necessary skills. As skills policy moves more towards putting decisions about what and when to study in the hands of learners and employers, there will be a bigger than ever need for good IAG, particularly for people outside the labour market.
- Improved childcare – the lack of options to meet parents' needs is the constraint that prevents many of them from working despite considerable progress through Childcare Strategies in England, Scotland, Wales and Northern Ireland. Waldfogel & Garnham point to a range of issues that need addressing, including options for the under-threes, charges for provision that is theoretically 'free', the adequacy of after-school and holiday provision, the complexity of the Childcare Tax Credit and continuity of arrangements for people moving in and out of work.
- Improved opportunities at work, requiring action on the 'demand' side of the labour market (such as what kind of job is available) and not just the 'supply' side. The types of job available contribute to constraints identified by Simmonds & Bivand. They suggest that a large number of parents do not match their preferred work arrangements – whether to work at all or to work their desired number of hours – as a result of such constraints. There is a growing appreciation among many businesses of the business value of flexible working. Public policy could help to incentivise such arrangements, perhaps through tax concessions for companies taking on such arrangements with parents.
- New forms of help for people who have been systematically excluded from the labour market or heavily constrained in the type and duration of the work available to them. Evans & Williams point to a wide range of constraints facing people with a weak position in the labour market, and suggest ways in which they can be helped to access more stable incomes that will make it easier for them to participate in work.

Behaviours, incentives and partnership

Behaviour is perhaps the most sensitive aspect of solutions to child poverty. An age-old issue is how far people receiving out of work benefits should be subject to a requirement to seek work – an aspect of 'conditionality'. The recent extension of a job-availability requirement to lone parents with older children is an important step in changing behavioural expectations.

A newer issue, raised in interesting ways by Simmonds & Bivand, and Kenway, is the behavioural patterns that we expect among families who do work. Government may have an interest in a working family with a low income taking steps to increase its earnings – whether by working longer hours or through a second earner. Such increases can both contribute to the government objective of eradicating child poverty and save public money in supporting such a family with tax credits.

To what extent should the state therefore require or encourage non-working partners in second-earner couples to go out to work? In a sense, this question is already answered by the structure of the tax credit system, which is typically insufficient to provide an adequate standard of living for single-earner couples with children, unless they are earning well above the minimum wage. About half a million children in single-earner couples remain in poverty. Almost as many again are just above the poverty line but below 70 per cent median income, which is close to the 'minimum income standard' that members of the public consider an acceptable standard of living (Bradshaw *et al.*, 2008). A single full-time worker in a couple with two children would have to earn over twice the minimum wage to rise above this standard. A third of children of single-earner couples fall below it, but where a second person is working part time this drops to 7 per cent. Thus, a second job in the household often makes the difference between poverty and an acceptable living standard.

However, an important issue raised both by Kenway and Simmonds & Bivand is the extent to which a big change in working behaviours could be achieved simply by lifting constraints. Simmonds & Bivand suggest that if everybody worked as much as they would like, child poverty would be reduced greatly by rises both in employment rates and hours worked. Kenway cautions, however, that a big cultural change would be required for every family to be fully employed or at least have one person in full-time and one in part-time employment, as this is not currently the case for half of working families. Some of this cultural change will need to come from business, not just in terms of making working arrangements more family friendly, but also designing work in a way that makes better use of people's skills in ways that make flexible working arrangements feasible.

A further consideration when addressing behaviours is the importance of allowing parents to balance the need to provide their children with material support and to provide them with direct emotional and developmental support when they need it. Waldfogel & Garnham argue that there is no clear-cut evidence that young children's development relies on their parents giving up work during their early years. While full-time work during a child's first year may be undesirable, beyond this, much depends on the individual parent and on the quality of childcare. So enabling parents to work more is not inconsistent with promoting the longer-term interests of their children, though making them do so, regardless of their circumstances, certainly could be.

In this context, a crucial issue underlying any change in behaviour is the extent to which it seems to be 'imposed', or on the other hand developed as part of a partnership between state and family in which parents are being helped to fulfil their own work ambitions rather than following a government-imposed agenda. Davies underlines the disaffection felt by many families who feel that they are being treated as the problem. A much more constructive approach is to tap into families' own ambitions and provide support in meeting them. This may, for example, require acceptance by government that some parents may prefer to stay at home with their children even where this implies a lower income. It is indeed crucial that government does not assume that it can create particular behaviours, but aims to ensure that it does not actively discourage the behaviours it wants.

Government and society will continue to take an interest in the relationship between incentives to work and behaviours. The immediate effect of the introduction of in-work tax credits was to increase incentives to enter work, but decrease incentives to progress in work by raising one's earnings, due to steep withdrawal rates. There is, potentially, a case for some rebalancing of these incentives, through a more generous baseline of out-of-work support and a more even rate at which more work produces extra rewards.

Where incremental reform is not enough – creating a new joint enterprise to eradicate child poverty

The scale of the task of eradicating child poverty within twelve years is so great that there is a risk that measures in the right direction get nowhere near achieving this task. The reports commissioned by the Joseph Rowntree Foundation point to ways in which much more needs to be done.

Looking simply at change in terms of numbers, it seems very clear that the scale of policy responses employed to date will fall far short of meeting the targets, as

mentioned previously. Whether in terms of the numbers who have moved into work, the extent to which rises in benefits have lifted non-working families out of poverty or the effectiveness of tax credits in reducing in-work poverty, progress has been very limited compared to what is needed. It is hard to escape the conclusion that more of similar policies will only go part of the way to making up the shortfall.

What then *would* be enough? Only a different kind of world in which many more families were well integrated into the labour market and the government felt able to support those who remained outside work at a level above the poverty line. This different world would require new attitudes and behaviours from all parties involved – government, employers and families on low incomes. In fact, it would require a new joint enterprise in which the responsibility for ending child poverty was felt to be a shared one.

In brief, in such a partnership, government would do much more to help support families in terms of providing the infrastructure that enabled them to work and genuinely adequate support for those who did not; employers would offer more worthwhile opportunities that fit in with parents' lives; and families would consider taking up such opportunities, improving their own lives and those of their children.

Up until now, calls for people affected by poverty to help themselves have too often been interpreted either as a form of buck-passing, blame or punishment by government. (Davies, in discussion with people living in poverty, shows that, rightly or wrongly, this is sometimes perceived to be the case.) Instead, there must be a greater degree to which people in poverty feel that the government, employers and society are working *with* them rather than against them.

For this to happen, some major barriers need still to be lifted. Some of these will require significant extra resources in order to create the conditions for families to take productive choices. Some will require new behaviours on the part of employers and delivery staff as well as people in poverty.

Four big areas in which a joint project is needed, that takes efforts against child poverty to a new level are:

- improved routes into work for parents on low incomes;
- better reconciliation of these with parental responsibilities and constraints;
- more help from the benefits and tax credits system, so it is not a hindrance to families trying to escape poverty; and

- a baseline level of support so it is a foundation for these families rather than dragging them down.

Each of these implies a big agenda, and it is beyond the scope of this *Round-up* to explore each of them in detail. But the following is an outline of the necessary substantial changes, which may not come about through an incremental strategy.

Improving work pathways

The New Deal and other government efforts have helped promote individual moves into work. The government's planned child poverty pilots will explore ways in which the welfare system can better help parents to prepare for work, to acquire skills and to retain and progress in jobs. For such an agenda to succeed, it must look well beyond welfare assistance. To make a real difference, parents need to be helped to:

- Acquire the education and skills needed to have real choices in the labour market. As a start, this requires the systematic disadvantage in educational outcomes experienced by young people who grow up in poverty to be effectively tackled.
- Find jobs that offer training and progression. One part of the agenda from the Leitch report is to equip people with skills; the other side is to encourage employers to make good use of these skills, so that work organisation shifts more towards the development of employees at every level.
- Take productive choices about hours worked within a family. Governments cannot dictate to parents how to make the trade-off between income and time spent with their families, but together with employers it can help improve the choices available, in terms of hours, job quality and pay. The reality is that it will take a significant change in family working patterns to make it possible for working families to escape poverty without another large increase in in-work tax credits that have costs to the taxpayer and risk disincentivising both parents and employers from finding ways of improving earnings. Simmonds & Bivand emphasise that in practice those with better work options (the better qualified) do choose to work more.

Reconciling work pathways with parental responsibilities and constraints

Parents on low incomes are understandably confused when they are being told to take greater responsibility for their children but also to enhance their incomes through work. Reconciling these two pressures requires new forms of support. In particular, it requires:

- A solid, high-quality childcare framework. The government has already taken big steps in this direction but, as suggested by Waldfogel & Garnham, it needs to take further big steps. Part of

this is extending the 'universal' element of childcare to younger ages, as well as enforcing the existing 'free' element. Part is finding better ways of offering targeted support, correcting the failures of the Childcare Tax Credit. And a final part is ensuring that the supply of childcare is improved, in terms of quality, time and location. To get to the situation that exists in some European countries where childcare is taken for granted as a local service, both affordable and available where needed, radical change is still needed.

- An emphasis on supporting choices for families with small children, by extending maternity support. Given that half of children in poverty are in families with children under five, raising the incomes of this group is crucial. But in thinking about work pathways, income at this stage cannot be thought of in isolation from future work outcomes. Longer-term arrangements with employers to allow job re-entry could reduce the risks that a parent is taking by spending an extended period out of the workforce. This is important given the future pay penalty associated with interrupted careers.

A benefits/tax credits system that is on the side of its clients

The most striking feature of many conversations with people experiencing poverty is how strongly they feel that the system is against them. This has damaging effects, not just on their sense of well-being but on how much they feel able to take positive choices supported by the system. There is a case for structural change of this system on several fronts:

- Reducing the complexity and retrospective character of the present tax credits system. Finding a support system that achieves its objectives and that users can understand has been a perennial but unsuccessful quest of recent governments. The present tax credit system continues to cause severe difficulties, largely because it imposes an annual retrospective assessment on families with fluctuating circumstances, and often requires repayments for reasons that people find impossible to comprehend. This can cause direct hardship when repayments occur and much wider failures when people are reluctant to claim entitlements that could land them in difficulties. In considering whether to modify or replace this system, it is worth considering whether large rates of non-takeup are consistent with fulfilling child poverty targets, and what kind of system it would take to raise take-up to much higher levels. There has been some improvement of take-up rates under the present system, but an estimated 20 per cent of money due under the Working Tax Credit still goes unclaimed, and 40 per cent of entitled claimants do not take it up (HMRC, 2007).

- Changes to the system of benefits that encourage rather than discourage flexible behaviours. This is particularly relevant for people with relatively weak links to the labour market who want to take first steps towards working. The 16-hour rule remains one barrier: the pound for pound withdrawal of benefit after a small income ‘disregard’ discourages ‘mini-jobs’ of up to 15 hours because tax credits are not available. Raising the level of income permitted without such a withdrawal (the ‘disregard’) or withdrawing benefit more slowly could help (Bell *et al.*, 2007). Another issue, raised by Evans & Williams, regards the smoothing of incomes for people moving in and out of work. Risk-averse people on low incomes are discouraged from taking jobs that might not last because of the disruption caused by moving between systems. Improved integration, together with measures that could soften the initial blow of losing work, are issues for the whole benefit system if people are to be encouraged to take up job opportunities.

Better long-term security in the level of the safety-net

Finally, a world in which parents feel engaged in a productive partnership with government in tackling child poverty requires proper support when they are out of work. Inadequate benefits often cause families to get into debt, and have so little financial room for manoeuvre that any effort to improve their situation by risk or up-front investment is ruled out.

A significant break with existing policy would be to adopt a systematic rather than ad hoc approach to long-term improvements in benefit and tax credit levels for families with children. This means creating an upratings system capable of increasing financial support at a sufficient rate to reduce child poverty, rather than relying on individual Budget announcements. This does not necessarily mean uprating everything with earnings (Sutherland *et al.*, 2008 showed that because of fiscal drag combined with benefit erosion, average net incomes are rising more slowly than earnings, and so would a relative poverty line), but would require an above-inflation upratings system across a range of benefits and tax credits.

Conclusion

The eradication of child poverty will only be achieved by policies that are both broad and bold. The government’s strategy document, *Ending child poverty: everybody’s business*, fully recognises the need for breadth – for a multifaceted strategy that tackles the issues. These range from the situation of excluded people on very low incomes to the need for progression for people who remain in poverty despite having jobs. In extending its influence, for example, the government has launched pilot schemes to explore how parents can be helped to progress in work.

But the magnitude of the task requires big measures. This *Round-up* has suggested in particular that substantial new investments in childcare, in skills and in an improved tax credit and benefits system are needed to support families in making productive choices. This will require significant extra public resources. But a successful strategy to open up opportunities would also bring payback, in terms of the reduced burden of supporting families on low or no earnings, as well as avoiding the other widespread costs associated with child poverty.

The directions suggested here involve long-term changes. They will take time to introduce and in most cases their effects would not be seen overnight. This means that they would need to be discussed now and implemented by the first year or two of the next decade in order to have the desired influence by 2020. In the past two years, the government has been scrambling to find measures that might finally measure up to the task of halving child poverty by 2010. For the second half of the task, it will need to take action early.

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Notes

1. This shows five situations since the 1970s where child poverty has been 5 per cent when rounded to the nearest percentage point: Finland in 1991 and 1995, Sweden in 1975 and the Czech and Slovak Republics in 1992.
2. The 2006 IFS projections showed a slight fall, but this incorporated not just upratings effects but also some assumptions about improving employment rates. Sutherland showed a steep increase, by the equivalent of ten percentage points over a 14-year period, but this did not project a continuation of the uprating of the child element of Child Tax Credit in line with earnings beyond the current commitment, to the end of this Parliament.
3. The starting date of 1996 is used here and later to represent a ten-year period under a similar set of policies, comparable in length to the period left before the 2020 target.
4. This refers to pre-announced upratings rules. In practice, additional ad hoc announcements have produced faster rises in recent years. But where the starting point is inflation-uprating for some benefits, it takes large and regular Budget-announced rises for benefits to advance relative to earnings when they rise in real terms.
5. For example, in the five years since the introduction of the Working Tax Credit, the income threshold above which it is tapered has been frozen in three years and has risen with inflation just once. In the latest year it rose by more, but this was to offset the abolition of the ten-pence tax band.