



# **The UK Commitment: Ending Child Poverty by 2020**

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*January 30, 2006*

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The author would like to thank Paul Dornan, Head of Policy and Research, Child Poverty Action Group and Natalie Branosky, Senior Policy Advisor, Centre for Economic and Social Inclusion, for their comments on the paper. Mark Greenberg and Jodie Levin-Epstein of CLASP helped outline and structure the paper, and lent a critical eye to many drafts. The paper also benefited from the comments and questions posed by participants in the study visit to the U.K. organized by CLASP.

**THE UK CHILD POVERTY PLEDGE**

In a 1999 speech honoring welfare state architect William Beveridge, Prime Minister Tony Blair declared, “Our historic aim will be for ours to be the first generation to end child poverty forever, and it will take a generation. It is a twenty-year mission, but I believe it can be done.”<sup>1</sup>

In his speech, Blair outlined his vision of a globally competitive United Kingdom, where the government would partner with the voluntary and private sectors to fund welfare, ensure that workers received the necessary training and skills-upgrading to succeed, balance the rights and responsibilities of benefit recipients, and guarantee “work for those who can, security for those who can’t.” Calling the eradication of child poverty the first step in breaking the cycle of poverty, he committed the government to creating equality of opportunity: “the child born in the run-down estate, should have the same chance to be healthy and well educated as the child born in the leafy suburbs.” Blair justified the 20-year commitment to end child poverty by quoting his Chancellor, Gordon Brown: “children are 20 percent of the population but they are 100 percent of the future.”

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“The third way in welfare is clear: not to dismantle it, or to protect it unchanged, but to reform it radically—taking its core values and applying them to the modern world.” - Tony Blair, 1999

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These remarks served as the foundation for the UK child poverty pledge—a public commitment by the Labour government to end child poverty by 2020, with interim steps of reducing it by one-quarter by 2004<sup>2</sup> and by one-half by 2010.<sup>3</sup> Further targets, to reduce worklessness, and improve the quality of housing, education and health were also outlined.<sup>4</sup>

**Labour Efforts before the Child Poverty Pledge**

In 1997, Labour came to power after nearly 20 years of Tory rule. The 1999 commitment to end child poverty in a generation followed a set of earlier initiatives to address worklessness and poverty, including the following.

**Employment**

In 1995-1996,<sup>5</sup> one in five households with adults of working age had no one employed. Addressing this “worklessness” was an early focus of the Labour government. The government’s stated goal was to create employment opportunity for all. In an early document, the government outlined key criteria for a successful labor market: macroeconomic stability, flexibility, employability and skills, and making work pay.<sup>6</sup> Initiatives to promote employment were begun for a broad range of target groups, including young people, unemployed workers, lone parents, and the incapacitated and disabled.

## Social Inclusion

Just months into his Premiership, Tony Blair launched the Social Exclusion Unit with goals of tackling deprivation and creating prosperous and inclusive communities. Social exclusion came to be used as shorthand for “a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high-crime environments, bad health, and family breakdown.”<sup>7</sup>

## Child Care

The government also began to develop a National Childcare Strategy, laid out in the 1998 Green Paper, “Meeting the Childcare Challenge.” The Childcare Strategy aimed to expand choices for parents and improve the prospects of children by raising the quality of care, and making it more affordable and accessible.<sup>8</sup>

Several themes emerged from Labour’s early reform efforts. There was a strong emphasis on “joined up” services—coordinating services across government departments and working with both the private and voluntary (non-profit) sectors to provide services, often in a single visit. There was also an early emphasis on balancing the “rights and responsibilities” of service recipients, to encourage work and self-sufficiency. Finally, there was a heightened recognition of the importance of macroeconomic trends—the increased labor market participation of women, the decline in the demand for low-skilled workers, the increased wage premium attracted by individuals with higher education, and the increase in trade with countries with an abundant labor supply.

## DEFINING AND MEASURING CHILD POVERTY

In 1999, when Tony Blair made the pledge to end child poverty, there was no official UK definition of poverty. The definition often used by government was 60 percent of median income, a relative definition of poverty favored by most European countries.<sup>9</sup> After a public consultation process, in 2003 the UK government adopted a long-term measure of child poverty comprising three components:

- low income measured in absolute terms
- low income measured relative to 60 percent of median income
- a combined measure of material deprivation and low income.<sup>10</sup>

The government has made clear that “action to tackle low income is at the heart of the UK’s anti-poverty strategy, but it is not the only indicator.”<sup>11</sup> According to the long-term measure, poverty is falling when all three indicators are moving in the right direction.<sup>12</sup> The long-term measure of child poverty is different from the indicators of progress published annually by the government in the Opportunity for All reports (which track efforts to address poverty and social exclusion), and from the existing targets set upon announcement of the government’s commitments, known as Public Service Agreements.<sup>13</sup> The long-term measure will be used to inform future child poverty Public Service Agreement targets.<sup>14</sup> For example, in the next Spending Review (due out in 2007), the government will set a target of halving the number of children suffering from both

material deprivation and relative low income, the third component of the long-term measure, by 2010 or 2011.<sup>15</sup>

## Measuring Progress

Progress towards the goal of cutting child poverty by one-quarter by 2004 is officially measured as the change in the number of children in low-income households (those below 60 percent of median as reported by the Households Below Average Income Statistics) against the 1998-1999 baseline figures.<sup>16</sup>

The relative poverty threshold for a two-parent, one-child family in Britain—i.e., those families below 60 percent of median income—was £11,232 (\$19,919) before deducting housing costs<sup>17</sup> and £9,464 (\$16,784) after deducting housing costs in 2004-2005.<sup>18</sup> In the United States, the poverty threshold for a two-parent family of three was \$15,219 in 2004.<sup>19</sup> The U.S. measure is an absolute measure and does not take housing costs into account; it is significantly lower than the most comparable UK measure in use (the before housing cost measure of \$19,919).

### **UK in the Mid-1990s: Before the Child Poverty Pledge**

**4.1 million children**—a third of all British children—were in households below 60 percent of median income.

**One-third of all children** were living in families without a full-time employee.

**One in eight children** grew up in families with persistently low income, indicative of persistent lack of opportunity and constrained life chances.

## Assessing the Impact of Child Poverty

Child poverty in the UK tripled between 1979 and 1995—one of the largest increases in child poverty in the industrialized world.<sup>20</sup> By the mid-1990s, the UK had the highest proportion of children growing up in unemployed and low-income households and the highest teenage pregnancy rate, of any European Union country.<sup>21</sup> The UK also had one of lowest employment rates for lone parents in the developed world—40 percent of lone parents work, compared to 82 percent in France and 60 percent in the United States.<sup>22</sup>

Britain's rise in inequality since the late 1970s is "almost unique among developed countries"—the only country that has seen widening inequality of a similar scale is New Zealand.<sup>23</sup> Incomes in the top decile grew by at least five times as much as those in the bottom decile over this period; inequality rose by one-third.<sup>24</sup>

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**"The concentration of poverty amongst households with children is the greatest indictment of our country in this generation and the greatest challenge of all." - Chancellor Gordon Brown, *Child Poverty Review*, 2004**

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When Labour came to power it was confronted with these jarring statistics, just as emerging evidence from a number of longitudinal studies suggested that childhood poverty had significant long-term effects on labor market activity and more.<sup>25</sup>

## The UK Commitment to End Child Poverty

- An analysis of the National Child Development Survey, a 1958 birth cohort study, found that children growing up in families with financial difficulties were less likely to stay in school and had poorer school attendance records. Poor school attendance was associated with being less likely to be employed at age 23 and having longer unemployment spells.
- Tests of the children of these birth cohort members point to an intergenerational spillover of disadvantage: children whose parents grew up with financial difficulty or in other socially disadvantaged situations were more likely to have lower scores on tests administered to them at an early age.<sup>26</sup>
- Another analysis of the 1958 survey found that child poverty increased the likelihood that someone would experience educational failure and, as an adult, be in social (public) housing, be dependent on benefits, and have low income. For men childhood poverty was associated with higher odds of unemployment; for women, childhood poverty was associated with teenage motherhood.<sup>27</sup>
- Analysis of the 1970 British Cohort Study found that significant differences in educational achievement by social class were evident in very young children as early as 22 months.<sup>28</sup>

## COMPONENTS OF THE NATIONAL EFFORT

The government's commitment to end child poverty is reflected in a range of programs. There are four broad goals of the government's strategy:

- “Work for those who can,” helping parents participate in the labor market
- Financial support for families, with more support for those who need it most
- Excellent public services that improve children's life chances and break cycles of deprivation
- Support for parents in their parenting role so they can guide their children through life transitions.<sup>29</sup>

The following policies support the government's effort to end child poverty; many continue to be modified and developed.

### **Making Work Pay: Employment Policies**

The government believes that “helping parents into work is the most sustainable way to tackle child poverty and give children better opportunities to succeed in later life.”<sup>30</sup> In recognition of the importance of work, the government has implemented several work-focused policies, and included changes to policies governing tax and wages, welfare-to-work initiatives, and parental leave.

### **Restructured Tax Rules**

The UK has undertaken a series of reforms to the tax and benefit system—including creating a Working Tax Credit and a Childcare Tax Credit—and established a minimum wage. These reforms aim to ensure adequate financial incentives to work, reduce child poverty, and increase

financial support for all families.<sup>31</sup> As one document put it, “Government’s policies to modernise the tax and benefit system constitute the most fundamental programme of welfare reform since the 1940s.”<sup>32</sup>

**Working Tax Credit.** The Working Tax Credit (WTC) replaced the Working Families Tax Credit in April 2003, supplementing the earnings of low-income workers. For the first time, low-income workers without children or a disability could be eligible for a tax credit. The WTC is payable to the main earner in a family. In designing the WTC, the government considered the tax and benefit systems of Australia and Canada,<sup>33</sup> as well as the American experience with the Earned Income Tax Credit (EITC).<sup>34</sup>

The Working Tax Credit has several components— disabled worker element, a child care element, a “30 hours” element, basic or ‘adult’ element, and an element for couples and lone parents. Families with children and workers with a disability are eligible for the Working Tax Credit provided they work at least 16 hours per week. To maintain incentives for these families to move into full-time work, the “30 hours element” is paid to a claimant who works at least 30 hours. Workers aged 25 and over with neither children nor a disability are eligible for the Working Tax Credit if they work at least 30 hours a week.<sup>35</sup> In 2005-2006, the maximum awards given to individuals or couples with incomes below a certain threshold were £1,620 (\$2,866) per week for the adult element, £660 (\$1,168) per year for the 30 hours element, and £1,595 (\$2,822) per year for the couples and lone parents element per year.<sup>36</sup> For families with income above the threshold, the tax credit is reduced by 37 pence for every pound over the threshold.<sup>37</sup>

**Childcare Tax Credit.** The child care element of the Working Tax Credit, or the Childcare Tax Credit, is designed to help offset child care costs for couples or lone parents who work for at least 16 hours a week. In 2005/6 the Childcare Tax Credit is worth up to 70 per cent of the first £300 (\$532) a week in eligible child care costs for two or more children, or the first £175 (\$310) a week for one child. Thus, the maximum child care tax credit for a family with two or more children is £210 (\$373) a week, and the maximum weekly credit for a family with one child is £122.50 (\$217). The percentage of eligible child care costs that can be covered is scheduled to increase to 80 percent in 2006.<sup>38</sup> The credit gradually phases out as income increases, but continues to provide help to families with income well above the poverty level: for example, in 2003 a family with two children, maximum child care costs and an income of £35,000 a year can still receive up to £50 a week in support for child care.<sup>39</sup>

### **Administering Tax Credits: Some US/UK Differences**

The U.S. EITC is generally paid in lump sum at the end of the year after filing the required tax return; the WTC is paid through the wage packet. Beginning April 2006, the government will deposit payments directly into workers’ accounts.

To claim the WTC, a worker must submit the tax form provided by her/his employer to Inland Revenue each year. Unlike the EITC, the WTC is intended to respond to changes in family circumstances throughout the year (although making these adjustments has proved complicated). A family’s tax and benefit supplements will be adjusted if their income falls during the year; an increase in income results in adjustments only if it is over £2,500 (an increase below this threshold is ignored to maintain incentives to increase earnings).

**Minimum Wage.** Tax credits work along with a national minimum wage (NMW) to provide a Minimum Income Guarantee for all working households. Before Labour came to power in 1997, the UK did not have a national minimum wage. A National Minimum Wage (NMW) was established in 1999 at a rate of £3.60 (\$6.40) an hour for adults 22 and over, and has since been increased to £5.05 (\$9.00). By October 2006 the rate will be £5.35 (\$9.50).<sup>40</sup> The increases in the National Minimum Wage have outpaced increases in the UK's average earnings and price indices.<sup>41</sup> The Minimum Income Guarantee has increased significantly since its inception, growing from £206 (\$365) for a family (either couple or lone parent) with two children working full time in April 1999 to £294 (\$522) in October 2004.<sup>42</sup>

The Low Pay Commission estimates that over 1 million workers (over 4 percent of the workforce) benefited from the 2004 increase of the NMW,<sup>43</sup> and a similar number of workers are believed to have benefited from the 2005 increase.<sup>44</sup> Two-thirds of the beneficiaries of the 2004 raise were women.<sup>45</sup>

As a result of the Minimum Income Guarantee and other steps, the lowest-paid workers have benefited from above-average increases in recent years—pay at the 10<sup>th</sup> percentile of distribution has risen nearly 10 percentage points faster than median growth, bringing to an end the long-standing trend of average wages rising faster than those of the lowest-paid workers.<sup>46</sup>

Together, these tax and benefit reforms have boosted the net income of poor families. By April 2006, the government estimates families in the poorest fifth of the population will be “on average £3,350 [\$5,876] a year better off” in real terms as a result of tax and benefit reforms.<sup>47</sup>

### “New Deal” Welfare to Work Policies

In efforts to promote employment, the government has launched a set of “New Deals”—including the New Deal for Lone Parents, the New Deal 25+, the New Deal for Young People, and the New Deal for Disabled People.

**New Deal for Lone Parents.** Before this policy, lone parents received only limited employment-related assistance.<sup>48</sup> The New Deal for Lone Parents is a nationally designed program that encourages work, offering the services of a personal adviser, job search, training, and after-school care to help parents who are not working (or working under 16 hours per week) move from welfare to work. Among the program's components are the following.

- **The Work-Based Learning for Adults and Training for Work** program offers lone parents a wide selection of training and a £15 incentive per week to take part in training.
- **The Childcare Subsidy** helps parents who are working fewer than 16 hours per week pay for child care, and covers the cost of child care for lone parents who have found a job through the New Deal for up to one week before they start work.
- **The Work Search Premium** provides £20 per week to lone parents who participate in the New Deal for Lone Parents and agree to undertake intense and active work search.<sup>49</sup>

While all lone parents receiving Income Support (cash assistance) are required to attend work-focused interviews, more extensive participation in the New Deal for Lone Parents is voluntary. Similar services through the New Deal for Disabled People are voluntary for individuals receiving Incapacity Benefit, while the New Deal for Young People is mandatory for all adults 18-24, and the New Deal 25+ is mandatory for adults aged 25 and over. The latter two programs are for individuals receiving Jobseeker's Allowance (unemployment benefits). The government has set a target that 70 percent of lone parents should be employed by 2010. In 2005 56 percent of lone parents were employed, up from 45 percent in 1997.<sup>50</sup>

Many of the services offered through the New Deals are now run through Jobcentre Plus, the national employment services agency that combines benefit delivery and employment services in a network of local offices around the country.<sup>51</sup>

### **Parental Leave Policies**

The government aims to address work-life balance by increasing the length and compensation of maternity and paternity leave.

**Expanded Duration.** In light of the research showing the importance of the early years in children's development, the government expanded both maternity and paternity leave to give parents more flexibility in balancing "the demands of work in an increasingly competitive work economy and the need to ensure that ... children have a good start in life."<sup>52</sup> Maternity leave has been increased to 26 weeks paid and 26 weeks unpaid after birth/adoption, and the government offers paid paternity leave for two weeks. Labour has committed to extending paid maternity leave—first to 39 weeks in 2007, and then to 52 weeks by the end of this Parliament.<sup>53</sup> A bill is currently out in consultation that would give fathers three months paid paternity leave and six months unpaid starting in April 2007.<sup>54</sup> An entitlement to 13 weeks unpaid parental leave has also been established for all parents of children under age 6.<sup>55</sup>

**Increased Compensation.** The level of Statutory Maternity Pay and Maternity Allowance has been raised from £55.70 (\$99) per week in 1997-98 to £106 (\$188) per week in 2006-07.

### **Giving Children the 'Best Start': Assistance and Services for Children**

The studies of longitudinal data published in the late 1990s established the importance of education and early intervention, and steps have been taken in response to expand services and benefits targeting children.<sup>56</sup> In different ways, these new programs aim to provide children equal opportunity at educational and life success.

### **Restructured Tax and Benefit Rules**

As noted above, part of the government's restructuring of the tax and benefit rules was aimed at increasing support for children, regardless of parental work status.



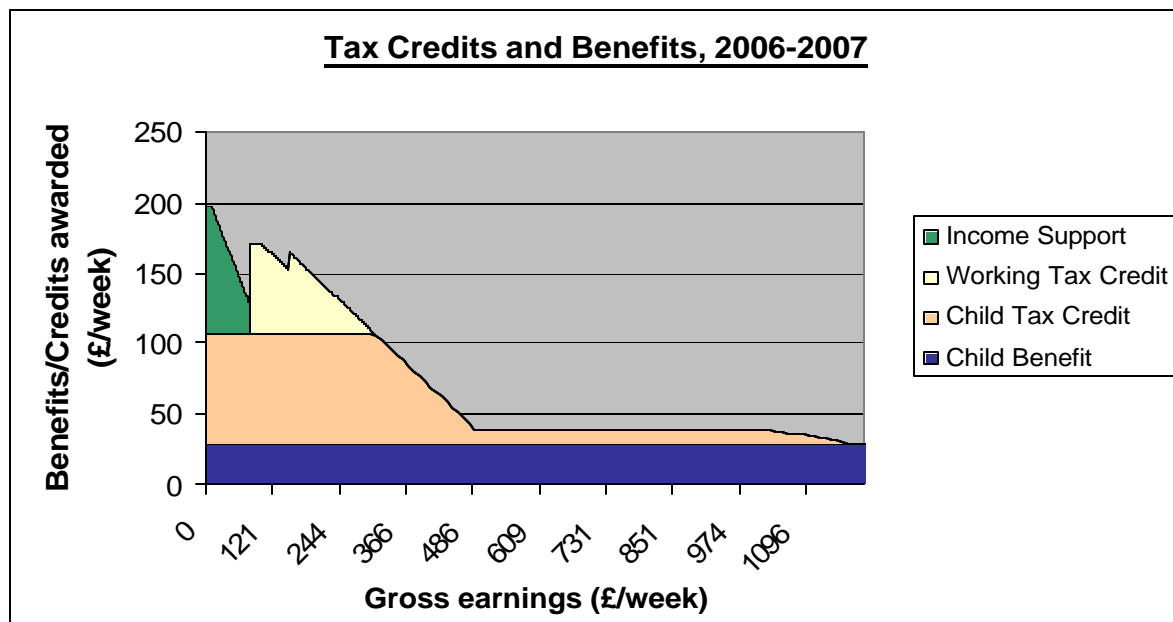
**The Child Tax Credit.** The Child Tax Credit (CTC) supplements the income of families with children, whether or not the adults in the household are working. Roughly nine out of ten families are eligible—family income must be below £58,000 to qualify (£66,000 with a child under age 1), although the maximum awards are only available to families with incomes below £13,910.<sup>57</sup> The CTC integrates several previous benefits into a single system of income-related support, and is paid either weekly or monthly to the primary caregiver.<sup>58</sup>

The CTC has a family and a child element. In 2005/6, the family element is worth up to £545 (\$967) per year (doubled in the financial year of a child's birth), roughly the same amount available at the time of its introduction in 2003. In 2005/6 the child element is worth up to £1,690 (\$3,000) per year per child, up from £1,443 (\$2,560) in 2003-2004.

Over 6 million families and 10 million children are benefiting from the new tax credits, and 3.5 million families have benefited from increases in the per child element of the CTC alone.<sup>59</sup> In London, 94 percent more working families received CTC above the family element in 2004 than those that received equivalent forms of tax credit support in 2002.<sup>60</sup>

**The Child Benefit.** Introduced in 1977, this cash grant is universal, and varies by birth order. As of April 2005, each family receives £884 (\$1,540) for its first child and £593 (\$1,033) for each additional child. The payment for the first child has increased 25 percent in real terms since 1997.

Below is a graph of the tax credits and benefits available to a couple with two children in 2006-2007, depending on income.



Source: HM Treasury, 2005.

## Child Care and Education Programs

Many of these efforts to improve child care and education and to support parents have been encompassed in the government's ten-year national child care strategy.<sup>61</sup>

**Sure Start Local Programmes (SSLPs).** SSLPs are area-based programs established to enhance health and well-being during the early years, and “to increase the chances that children will enter school ready to learn and prove to be academically successful in school, socially successful in their communities and occupationally successful when grown up.”<sup>62</sup> SSLPs have been targeted at the most disadvantaged areas, creating one-stop service delivery that focuses on early intervention and integration of a wide array of services, including early education, child care, health and family support services.<sup>63</sup> By design SSLPs maintain significant local autonomy, and the services offered vary from one SSLP to the next according to local needs—for example, family support services may range from smoking cessation advice for expectant mothers to midwifery and speech pathology. Sure Start's goal is to reduce the number of children living in workless households; the program is jointly managed by the Department for Work and Pensions (which is responsible for the New Deal for Lone Parents and other employment programs) and the Department for Education and Skills.

Sure Start Children's Centres build on the model of the Sure Start Local Programmes to offer integrated, area-based, early years services to all. Government has committed to delivering 2,500 Children's Centres in England by 2008, and 3,500 by 2010, so that there will be at least one Children's Centre in every community.<sup>64</sup> The Centres will serve as the foundation for a broad early years infrastructure.

**Early Education.** As of 2003, the government guarantees a places in part-time early education to all 3- and 4-year-olds whose parents want one. Between 2007 and 2010 the government will introduce up to 15 hours a week free for 3- and 4-year-olds, and it expects to eventually go up to 20 hours a week free.<sup>65</sup> By 2008, the government will pilot free part-time early education for 12,000 2-year-olds in disadvantaged areas.<sup>66</sup> Government investment in early care has increased from £2.1 billion in 1997/98 to 3.6 billion in 2002/3.<sup>67</sup>

**Services for Older Children.** The government has also implemented a number of programs to support older children and parents. Many of the policies targeted at young adults were created to increase participation in education, employment, and/or training.

- **The Children's Fund** serves 5- to 13-year-olds, promoting education achievement “with a focus on supporting parents both in their parenting, and with other issues including domestic violence,

### **Early Education: Some U.S./UK Differences**

Unlike the American early education programs like Head Start or Early Head Start, the SSLPs are open to all children living in the community; there is no individual eligibility determination. Sure Start targets much younger children. While the bulk of Head Start resources go to 3-, 4- and 5-year-olds, Sure Start serves pregnant women and children from birth up to age 5.

counseling, family support, and health awareness.”<sup>68</sup> It aims to shift the focus from remedial to preventative action.<sup>69</sup>

- **Extended Schools**, coordinated with Children’s Centres, help older students and their families through study support, lifelong learning, parenting support, access to sports and arts facilities; they also serve as a gateway to other public services.
- **Education Maintenance Allowances** offer cash grants for young people over 16 to encourage them to remain in school.
- **Connexions**, targeted at 13- to 19-year-olds, offers personal advisers and integrated services to help them make a smooth transition to adult life. It goes beyond career services to offer young adults advice on subjects such as family relationships and substance abuse. Its main objective is to reduce the number of 16- to 18-year-olds who are not in school, training programs, or employment.

In 2006, as a step toward creating a coherent system for 16- to 19-year-olds, the government will extend Child Benefit, Child Tax Credit, and Income Support to 19-year-olds completing a course of non-advanced education or training started before their 19<sup>th</sup> birthday, as well as to those unwaged trainees on specific work-based learning schemes arranged by government.<sup>70</sup>

## Leveling the Playing Field: Asset Policies

Savings and asset-ownership are an important part of the Labour government’s strategy. The government believes that savings and assets provide individuals with financial security for a “rainy day,” greater comfort in retirement, and access to greater independence and long-term opportunity throughout their lives.<sup>71</sup> The government wants to ensure “that all children grow up knowing that they have a financial stake in society,” and that all young people are “able to embark on their adult lives with a financial asset to invest in their future.”<sup>72</sup> Through the Child Trust Fund and the Saving Gateway, the Labour Government has begun to address the assets gap.

The Child Trust Fund offers a universal, tax-exempt, investment and savings account for children born from September 2002. The government gives a voucher of £250 for every child at birth, and family and friends may contribute to the account, up to an annual limit. Children of the poorest families receive the largest amounts from the government—children whose families receive the Child Tax Credit receive an extra £250 at birth.<sup>73</sup> The account can not be accessed until the child is eighteen, and at this age there is no restriction placed on its use. The government is currently consulting on further payments into the Child Trust Fund at age seven and at secondary school.

The Saving Gateway pilot programs offer matched savings accounts to low-income families in select areas. In the first pilot program begun in 2002, accounts could be opened with £1 or more, and people could save up to a maximum of £25 per month, with a total account limit of £375. The account matured in 18 months, and the government matched £1 for £1 upon maturation. The

evaluation of the first pilot found that the average balance in people's accounts was £282, and over half deposited the maximum amount of £375. A high proportion of participants said that they felt more in charge of their life because of their Saving Gateway account, and felt more secure financially.<sup>74</sup> The latest pilot, begun in March 2005, is testing the effects of alternative match rates and contribution limits, initial endowments and the support of a range of financial education bodies.<sup>75</sup>

## THE CHILD POVERTY PLEDGE: RESULTS AND NEXT STEPS

### Results to Date

Though many of these programs have not yet been evaluated and many of the long-term effects may not be apparent for some time, initial analysis indicates that policies are beginning to have a significant impact.

- The government increased financial support for children through tax credits, Child Benefit and other benefits by £10.4 billion between 1997 and 2004, a rise in real terms of 72 percent.<sup>76</sup>
- Since the introduction of the New Deal for Lone Parents in 1998, 410,000 lone parents have entered employment.<sup>77</sup> The number of children in workless households has fallen by about 400,000 since 1997.<sup>78</sup>
- Between 1998-1999 and 2003-2004 the number of children in relative low-income households fell by around 500,000,<sup>79</sup> and the government believes it is on track to meet its goals for 2004-2005.<sup>80</sup>

### Challenges and Next Steps

Both government and independent evaluators admit that the UK will need to do much more to reach its ultimate goals.<sup>81</sup> There have been challenges in both the design and implementation of some of the government's flagship programs. These include the following.

- Early evaluations of Sure Start Local Programmes found little evidence of program impact, positive or negative, on families and children in the designated areas, though the evaluators emphasize that these findings are provisional.<sup>82</sup> As the government moves toward creating Sure Start Children Centres, it is emphasizing that it will ensure "a consistent approach and a clear focus on improving child outcomes."<sup>83</sup>
- The tax credit system continues to have problems with its automatic payment and deduction system—a recent audit by the National Audit Office found that error and fraud led to roughly £2 billion in overpayments.<sup>84</sup> The most recent Pre-Budget report outlines a number of new policies intended to respond to the problems of overpayment, including an increase of the income disregard from £2,500 to £25,000 to reduce the circumstances

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under which increases in income during a year will result in an overpayment for that year.<sup>85</sup>

- While there has been a significant increase in employment among lone parents, the New Deal for Lone Parents reaches only a small proportion of the lone parents in Income Support—around 10 percent<sup>86</sup>—and it is clear that progress needs to be much quicker if the UK is to meet its target of raising lone parent employment to 70 percent by 2010.

Certain key indicators have not seen significant improvement since 1999. Despite the government's efforts to reduce income inequality, the gap between rich and poor continues to widen—since the mid-1990s, incomes at the top of the income distribution have grown by more than £90/week more than those at the bottom.<sup>87</sup> Educational attainment still remains closely tied to social class, and outcomes for disadvantaged groups of children (including looked after (foster) children, disabled children, children with special educational needs, and young offenders) remain poorer than those of their peers. As a “next step” the government has said it will focus on these groups of particularly disadvantaged children.<sup>88</sup>

There are clearly significant challenges for the Labour government as it works to reach its next target of halving child poverty by 2020. But the government appears to be halfway there, and over the last five years it may have achieved something for which it never set a target: bringing poverty into the national political debate. The Conservatives, the largest opposition party in the UK, recently launched a new Social Justice Policy Group to “study the causes and consequences of poverty in Britain and...develop practical ideas to empower the least well-off to climb the ladder from poverty to wealth.”<sup>89</sup>

## Notes

<sup>1</sup> Blair, Tony. *Beveridge Lecture*. 1999. Available at: [http://www.bris.ac.uk/poverty/Publication\\_files/Tony\\_Blair\\_Child\\_Poverty\\_Speech.doc](http://www.bris.ac.uk/poverty/Publication_files/Tony_Blair_Child_Poverty_Speech.doc)

<sup>2</sup> The government will not know until the 2004/5 HBAI statistics have been published in early 2006 whether it has reached this goal.

<sup>3</sup> The commitments are set out in public service agreements. See HM Treasury. *Spending Review 2002: public service agreements* (Chapter 15). Available at: [http://www.hm-treasury.gov.uk/Spending\\_Review/spend\\_sr02/psa/spend\\_sr02\\_psadwp.cfm](http://www.hm-treasury.gov.uk/Spending_Review/spend_sr02/psa/spend_sr02_psadwp.cfm)

<sup>4</sup> For subsequent targets see HM Treasury, *Spending Review 2004: public service agreements*, 2005-2008, available at: [http://www.hm-treasury.gov.uk/spending\\_review/spend\\_sr04/psa/spend\\_sr04\\_psaindex.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_sr04/psa/spend_sr04_psaindex.cfm).

<sup>5</sup> The UK financial year runs April to April (so 1995-1996 should be read as April 1, 1995 through March 31, 1996).

<sup>6</sup> HM Treasury. *Modernisation of Britain's Tax System Number One: Employment Opportunity in a Changing Labour Market* (p.11). 1997. Available at: <http://www.hm-treasury.gov.uk/media/DB9/BD/fpp.pdf>.

<sup>7</sup> Department for Work and Pensions. *Opportunity for All: Tackling Poverty and Social Exclusion*. 1999.

<sup>8</sup> Secretary of State for Education and Employment, Secretary of State for Social Security, and Minister for Women. *Meeting the Childcare Challenge: A Framework and Consultation Document*. 1998. Available at: <http://www.surestart.gov.uk/publications/?Document=523>.

<sup>9</sup> See UNICEF. *A League Table of Child Poverty In Rich Nations, Innocenti Report Card*. 2000. Available at: [http://www.unicef.org/nz/advocacy/publications/Report\\_Card\\_-\\_Poverty\\_1.pdf](http://www.unicef.org/nz/advocacy/publications/Report_Card_-_Poverty_1.pdf).

<sup>10</sup> Department for Work and Pensions. *Measuring Child Poverty*. 2003. Available at: <http://www.dwp.gov.uk/consultations/consult/2003/childpov/final.pdf>. As this document makes clear, the definition of poverty was much debated—a seminar was even held at the Institute for Public Policy Research, a non-governmental organization, in 2001 to compare the EU and the U.S. model for measuring poverty. There are three main official sources of data on child poverty and social exclusion in the UK: Households Below Average Income, Opportunity for All, and the UK National Action Plan on Social Inclusion. For discussion of different poverty measurements internationally see Gordon Fisher, *Is There Such a Thing as an Absolute Poverty Line Over Time? Evidence from the United States, Britain, Canada, and Australia on the Income Elasticity of the Poverty Line* (2002), available at: <http://www.census.gov/hhes/poverty/povmeas/papers/elastap4.html#C8>; For a discussion of the history of the poverty line in the United States, see Gordon Fisher *The Development of the Orshansky Poverty Thresholds and Their Subsequent History as the Official U.S. Poverty Measure* (1997), available at: <http://www.census.gov/hhes/poverty/povmeas/papers/orshansky.html>.

<sup>11</sup> Department for Work and Pensions. *UK National Action Plan on Social Inclusion, 2003-2005* (p. 16). 2003. Available at: <http://www.dwp.gov.uk/publications/dwp/2003/nap/nap.pdf>

<sup>12</sup> *Measuring Child Poverty*. This language—“poverty is falling when all three indicators are moving in the right direction”—has been criticized by Parliament as too vague. See House of Commons Work and Pensions Committee. *Child Poverty in the UK, Second Report of Session 2003-04, Volume I*. Available at: <http://www.publications.parliament.uk/pa/cm200304/cmselect/cmworpen/85/85.pdf>.

<sup>13</sup> The most recent Opportunity for All report, *Opportunity for All: the seventh annual report* (2005), updates government progress on a broad range of indicators. It is available at <http://www.dwp.gov.uk/mediacentre/pressreleases/2005/oct/ofa7.PDF>.

<sup>14</sup> HM Treasury. *Child Poverty Review* (p 17). 2004. Available at: [http://www.hm-treasury.gov.uk/spending\\_review/spend\\_sr04/associated\\_documents/spending\\_sr04\\_childpoverty.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_childpoverty.cfm)

<sup>15</sup> *The Modernisation of Britain’s Tax and Benefit System, Number 11* (p. 52).

<sup>16</sup> HM Treasury. *Public Service Agreements 2001-2004, Technical Notes*. Available at: [http://www.hm-treasury.gov.uk/documents/public\\_spending\\_and\\_services/public\\_service\\_agreements\\_2001\\_2004/pss\\_psa\\_technotes.cfm](http://www.hm-treasury.gov.uk/documents/public_spending_and_services/public_service_agreements_2001_2004/pss_psa_technotes.cfm).

<sup>17</sup> Households Below Average Income, Table C: Unequalised money values for overall distribution mean, median, 50 per cent of mean and 60 per cent of median income for different family types in 2003-2004 prices, Great Britain, available at: [http://www.dwp.gov.uk/asd/hbai/hbai2004/excel\\_files/supplementary\\_tables/suptabs\\_c\\_excel\\_hbai05.xls](http://www.dwp.gov.uk/asd/hbai/hbai2004/excel_files/supplementary_tables/suptabs_c_excel_hbai05.xls). There has been some controversy over the decision to measure success against the before-housing cost line—see House of Commons Work and Pensions Committee. *Child Poverty in the UK, Second Report of Session 2003-2004, Volume I*, (p 30).

<sup>18</sup> Households Below Average Income, Table C: Unequalised money values for overall distribution mean, median, 50 per cent of mean and 60 per cent of median income for different family types in 2003/04 prices, Great Britain.

<sup>19</sup> U.S. Census Bureau. *Poverty Thresholds for 2004 by Size of Family and Number of Related Children Under 18 Years*. Available at: <http://www.census.gov/hhes/poverty/threshld/thresh04.html>.

<sup>20</sup> Bradbury, Bruce and Markus Jantti. *Child Poverty Across Industrialized Nations, Innocenti Occasional Papers, Economic and Social Policy Series no.71*. 1999. Available at: <http://www.unicef-icdc.org/publications/pdf/eps71.pdf>.

<sup>21</sup> HM Treasury. *Tackling Child Poverty: giving every child the best possible start in life, A Pre-Budget Report* (p. 10). 2001. Available at: <http://www.hm-treasury.gov.uk/media/55D/B0/TacklingChildPoverty.pdf>.

<sup>22</sup> *The Modernisation of Britain’s Tax and Benefit System: Number One* (p. 10).

<sup>23</sup> HM Treasury. *The Modernisation of Britain’s Tax and Benefit System, Number Four, Tackling Poverty and Extending Opportunity*. 1999. Available at: <http://www.hm-treasury.gov.uk/media/734/F8/734F8D63-BCDC-D4B3-1A9CD199A7DF8D3E.pdf>.

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- <sup>25</sup> See the National Child Development Study (NCDS), of a 1958 birth cohort, and the 1970 British Cohort Study (BCS70). For more information on the cohort studies, see the Economic and Social Data Service website: <http://www.esds.ac.uk/longitudinal/access/bcs70/>.
- <sup>26</sup> Gregg, Paul and Stephen Machin. *Child Development and Success or Failure in the Youth Labour Market*. 1998. Available at: <http://cep.lse.ac.uk/pubs/download/dp0397.pdf>. For summary, see <http://www.jrf.org.uk/knowledge/findings/socialpolicy/389.asp>.
- <sup>27</sup> Hobcraft, John. *Intergenerational Transmission and Life Course Transmission of Social Exclusion, Influences of Childhood Poverty, Family Disruption, and Contact with the Police*. 1998. Available at: <http://sticerd.lse.ac.uk/dps/case/cp/paper15.pdf>.
- <sup>28</sup> Feinstein, Leon. *Inequality in the Early Cognitive Development of British Children in the 1970 Cohort*. 2003. Available at: <http://cep.lse.ac.uk/pubs/download/dp0404.pdf>.
- <sup>29</sup> *Opportunity for All, 2005: the seventh annual report* (p. 4).
- <sup>30</sup> *Child Poverty Review* (p. 22).
- <sup>31</sup> HM Treasury. *The Modernisation of Britain's Tax and Benefit System, Number 11, Tax Credits: Reforming Financial Support for Families* (p. 1). 2005. Available at: [http://www.hm-treasury.gov.uk/media/A64/65/bud05\\_taxcredits\\_500.pdf](http://www.hm-treasury.gov.uk/media/A64/65/bud05_taxcredits_500.pdf).
- <sup>32</sup> *Modernisation of Britain's Tax and Benefit System, Number 11* (p. 7).
- <sup>33</sup> HM Treasury. *The Modernisation of Britain's Tax and Benefit System, Number 10, The Child and Working Tax Credits* (p. 22). 2002. Available at: [http://www.hm-treasury.gov.uk/media/8D5/BD/new\\_tax\\_credits.pdf](http://www.hm-treasury.gov.uk/media/8D5/BD/new_tax_credits.pdf).
- <sup>34</sup> Taylor, Martin. *The Modernisation of Britain's Tax and Benefit System, Number 2, Work Incentives*. 1998. Available at: <http://www.hm-treasury.gov.uk/media/2BF/88/taylor.pdf>.
- <sup>35</sup> *The Modernisation of Britain's Tax and Benefit System, Number 10* (p. 33).
- <sup>36</sup> HM Revenue and Customs. "WTC2 - Child Tax Credit and Working Tax Credit - A Guide." Available at: <http://www.hmrc.gov.uk/leaflets/wtc2.htm#c15>.
- <sup>37</sup> The reduction of the award at a rate of 37 p for every pound is first applied to the Working Tax Credit, then to the childcare tax credit, and then to the Child Tax Credit, which will be discussed in the next section. *The Modernisation of Britain's Tax and Benefit System, Number 10* (p. 6).
- <sup>38</sup> HM Treasury. *Opportunity for all: the Strength to make the Long Term Decisions for Britain, Pre-Budget Report*. 2004. Available at: [http://www.hm-treasury.gov.uk/media/98C/55/pbr04\\_maindoc1.76.pdf](http://www.hm-treasury.gov.uk/media/98C/55/pbr04_maindoc1.76.pdf).
- <sup>39</sup> *The Modernisation of Britain's Tax and Benefit System, Number 10* (p. 6). For up to date rates of tax and benefits, see HM Treasury. "2004 Pre-Budget Report Press Notice 2." Available at: [http://www.hm-treasury.gov.uk/pre\\_budget\\_report/prebud\\_pbr04/press\\_notices/prebud\\_pbr04\\_press02.cfm](http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr04/press_notices/prebud_pbr04_press02.cfm).
- <sup>40</sup> *The Modernisation of Britain's Tax and Benefit System, Number 11* (p. 24).
- <sup>41</sup> Sellers, Paul "The UK National Minimum Wage and the Work-Life Balance," UK Study Visit, London. November 16, 2005.
- <sup>42</sup> *Child Poverty Review*.
- <sup>43</sup> Low Pay Commission. *National Minimum Wage, Low Pay Commission Report 2005*. 2005. Available at: [http://www.lowpay.gov.uk/lowpay/report/pdf/DTi-Min\\_Wage.pdf](http://www.lowpay.gov.uk/lowpay/report/pdf/DTi-Min_Wage.pdf)
- <sup>44</sup> Low Pay Commission. "Rise In The Minimum Wage Will Benefit Many Low-paid Workers." 2005. Available at [http://www.lowpay.gov.uk/lowpay/press/news25\\_02\\_05.shtml](http://www.lowpay.gov.uk/lowpay/press/news25_02_05.shtml).



- <sup>45</sup> *National Minimum Wage, Low Pay Commission Report 2005* (p. 17).
- <sup>46</sup> *The Modernisation of Britain's Tax and Benefit System, Number 11* (p. 24). They do not use the “expected number of beneficiaries” measure (those whose pay would otherwise be below the new NMW rate) because it does not reflect the impact of the NMW on the wage distribution more generally—for example, many firms increase their lowest pay levels to ensure that they remain slightly above the NMW rate.
- <sup>47</sup> HM Treasury. *Pre-Budget Report 2005: Britain Meeting the Global Challenge, Enterprise, Fairness, and Responsibility* (p. 95). Available at: [http://www.hm-treasury.gov.uk/pre\\_budget\\_report/prebud\\_pbr05/report/prebud\\_pbr05\\_repindex.cfm](http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr05/report/prebud_pbr05_repindex.cfm).
- <sup>48</sup> Department for Work and Pensions. HM Treasury. *The changing welfare state: employment opportunity for all* (p. 2). 2001. Available at: <http://www.hm-treasury.gov.uk/media/585/D3/Inactivity.pdf>. See also Evans, Martin. “New Deal for Lone Parents: Six Years of Operation and Evaluation,” in *Lone Parents and Employment: International comparison of what works*. 2003. Available at: <http://www.dwp.gov.uk/jad/2003/181rep.pdf>.
- <sup>49</sup> *Opportunity for All, Sixth Annual Report* (p. 32).
- <sup>50</sup> *Opportunity for All: the seventh annual report* (p. 185).
- <sup>51</sup> For more information about Jobcentre Plus see the Jobcentre Plus website at: <http://www.jobcentreplus.gov.uk/cms.asp?Page=/Home>. For an evaluation of Jobcentre Plus, see Corkett, Jo et al. *Jobcentre Plus Evaluation: a summary of the evidence*. 2005. Available at: <http://www.dwp.gov.uk/asd/asd5/rports2005-2006/rrep252.pdf>.
- <sup>52</sup> HM Treasury. Education and Skills. Work and Pensions. Trade and Industry. *Choice for parents, the best start for children: a ten year strategy for childcare*. 2004. Available at: [http://www.hm-treasury.gov.uk/media/8F5/35/pbr04childcare\\_480.pdf](http://www.hm-treasury.gov.uk/media/8F5/35/pbr04childcare_480.pdf).
- <sup>53</sup> See *Choice for parents, the best start for children: a ten year strategy for childcare*.
- <sup>54</sup> Johnson, Alan . *Work and Families Bill*. October 18, 2005. Available at: <http://www.publications.parliament.uk/pa/cm200506/cmbills/060/2006060.pdf>.
- <sup>55</sup> *Choice for parents, the best start for children: a ten year strategy for childcare*.
- <sup>56</sup> *Tackling Child Poverty: giving every child the best possible start in life, A Pre-Budget Report* (p. 23) notes that Sure Start (described below) was established in recognition of the new research.
- <sup>57</sup> Compared to previous systems of support, the WTC and CTC are available to families further up the income scale (*The Modernisation of Britain's Tax and Benefit System, Number 11* (p. 29). For income limits, see “Q&A: Tax Credits,” BBC News, September 26, 2005, available at: <http://news.bbc.co.uk/1/hi/business/3198211.stm>
- <sup>58</sup> *Tackling Child Poverty: giving every child the best possible start in life, A Pre-Budget Report*.
- <sup>59</sup> *Opportunity for All: the seventh annual report* (p. 13).
- <sup>60</sup> *The Modernisation of Britain's Tax and Benefit System, Number 11* (pp. 34-35).
- <sup>61</sup> *Choice for parents, the best start for children: a ten year strategy for childcare*.
- <sup>62</sup> The National Evaluation of Sure Start (NESS) Institute for the Study of Children, Families and Social Issues , Birkbeck University of London. *The Impact of Sure Start Local Programmes on Child Development and Family Functioning: A Report on Preliminary Findings*. 2004. Available at: <http://www.ness.bbk.ac.uk/documents/activities/impact/397.pdf>
- <sup>63</sup> *Tackling Child Poverty: giving every child the best possible start in life, A Pre-Budget Report*. This model of service integration has been reinforced by The Children Bill, presented to Parliament in March 2004, which mandates service integration and offers a “legislative framework for transforming local services for children,” available at: <http://www.publications.parliament.uk/pa/cm200304/cmbills/166/2004166.htm>
- <sup>64</sup> *Choice for parents, the best start for children: a ten year strategy for childcare*.



- <sup>65</sup> *Opportunity for All: the seventh annual report* (p. 25).
- <sup>66</sup> *Opportunity for All, Sixth Annual Report*, (p. 20).
- <sup>67</sup> Naomi Eisenstadt. CLASP Audio Conference. July 15, 2005.
- <sup>68</sup> *Child Poverty Review*.
- <sup>69</sup> *Opportunity for All, Sixth Annual Report* (p. 18).
- <sup>70</sup> *The Modernisation of Britain's Tax and Benefit System, Number 11* (p. 51).
- <sup>71</sup> *The Modernisation of Britain's Tax and Benefit System, Number 9, Delivering Savings and Assets* (p. 1). 2001. Available at: [http://www.hm-treasury.gov.uk/media/287E1/delivering\\_savings.pdf](http://www.hm-treasury.gov.uk/media/287E1/delivering_savings.pdf).
- <sup>72</sup> As noted on HM Treasury webpage, [http://www.hm-treasury.gov.uk/consultations\\_and\\_legislation/consult\\_savasset/consult\\_savasset\\_index.cfm](http://www.hm-treasury.gov.uk/consultations_and_legislation/consult_savasset/consult_savasset_index.cfm)
- <sup>73</sup> For more information go to the Child Trust Fund website: <http://www.childtrustfund.gov.uk/>.
- <sup>74</sup> Kempson, Elaine et al, "Incentives to save: Encouraging saving among low-income households, Final report on the Saving Gateway pilot project" University of Britol, March 2005, available at: [http://www.hm-treasury.gov.uk/media/35D/E1/Incentives\\_to\\_save.pdf](http://www.hm-treasury.gov.uk/media/35D/E1/Incentives_to_save.pdf)
- <sup>75</sup> *The Pre-Budget Report 2005* (p. 102).
- <sup>76</sup> *Child Poverty Review*.
- <sup>77</sup> HM Treasury. Department for Education and Skills. "Support for parents: the best start for children" (p. 15). December 2005. Available at: [http://www.hm-treasury.gov.uk/media/F58/FF/pbr05\\_supportparents\\_391.pdf](http://www.hm-treasury.gov.uk/media/F58/FF/pbr05_supportparents_391.pdf).
- <sup>78</sup> *Opportunity for All: the seventh annual report* (p.12).
- <sup>79</sup> For summary of most recent poverty statistics, see Households Below Average Income Statistics, First Release. March 30, 2005. Available at: [http://www.dwp.gov.uk/asd/hbai/hbai2004/first\\_release\\_0304.pdf](http://www.dwp.gov.uk/asd/hbai/hbai2004/first_release_0304.pdf).
- <sup>80</sup> *Pre-Budget Report 2005* (p. 93).
- <sup>81</sup> See *Child Poverty Review*. See also an independent evaluation by the Center for Analysis of Social Exclusion at the London School of Economics, summary available at: <http://www.jrf.org.uk/knowledge/findings/socialpolicy/0015.asp>.
- <sup>82</sup> Melhuish, Edward et al. "National Evaluation Report, Early Impacts of Sure Start Local Programmes on Children and Families: Report of the Cross-sectional Study of 9- and 36-Month Old Children and their Families." December 2005. Available at: <http://www.surestart.gov.uk/publications/?Document=1503>.
- <sup>83</sup> HM Treasury. "Support for Parents: the Best Start for Children" (p. 45). December 2005. Available at: [http://www.hm-treasury.gov.uk/media/F58/FF/pbr05\\_supportparents\\_391.pdf](http://www.hm-treasury.gov.uk/media/F58/FF/pbr05_supportparents_391.pdf)
- <sup>84</sup> Bourn, John. *Comptroller and Auditor General's Standard Report, 2004-2005*. Available at: [http://www.nao.org.uk/publications/nao\\_reports/05-06/0506446.pdf](http://www.nao.org.uk/publications/nao_reports/05-06/0506446.pdf).
- <sup>85</sup> *Pre-Budget Report 2005* (p. 97).
- <sup>86</sup> Evans, Martin, Jill Eyre, Jane Millar and Sophie Sarre. "New Deal for Lone Parents: Second Synthesis Report of the National Evaluation" (p. xi ). 2003. Available at: <http://prodigi.bl.uk/eGovSupp/newdealloneeval20030702jg.pdf>.
- <sup>87</sup> See Office of National Statistics. "Focus on Social Inequalities." Available at: [http://www.statistics.gov.uk/articles/nojournal/FOSI\\_summary\\_article.pdf](http://www.statistics.gov.uk/articles/nojournal/FOSI_summary_article.pdf):
- <sup>88</sup> "Support for Parents: the Best Start for Children," (p. 55). December 2005.
- <sup>89</sup> Conservative Party Press Release. "David Cameron sets up new Social Justice Policy Group." December 7, 2005. Available at: [http://www.conservatives.com/tile.do?def=news.story\\_page&obj\\_id=126778](http://www.conservatives.com/tile.do?def=news.story_page&obj_id=126778)