



House of Commons
Work and Pensions Committee

Child Poverty in the UK

Second Report of Session 2003-04

Volume I



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Report, together with formal minutes

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Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/commons/selcom/workpenhome.htm.

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Note

Due to the printing in advance of memoranda submitted to the inquiry, the cover and front pages of Volume II incorrectly refers to the First Report of Session 2003-04. The Volume should refer to the Second Report: the House of Commons paper number (HC 85-II) is correct.

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Report highlights

- * **Child poverty is still a major problem: 3.6 million children live in poverty.**
- * **The Government's target of reducing child poverty by a quarter by 2004 is likely to be met.**
- * **Meeting subsequent targets (reduction of child poverty to a half by 2010 and eradicating it by 2020) will be much more challenging since the achievement of those targets will involve helping those who are most disadvantaged.**
- * **In order to halve child poverty the poorest families – measured on the after housing costs basis - require an extra £10 per week, per child.**
- * **A major contribution to meeting the targets is employment, which in turn necessitates even more availability of affordable childcare, on top of that already announced by Government.**
- * **Accessible and affordable childcare available to all by 2010 should be the government's goal.**
- * **The government should ensure child poverty is a much more high profile objective set in the context of the commitment to a fairer society. A roadmap of progress towards meeting the 2010 target is required.**
- * **The national anti-poverty strategy must reach beyond raising incomes and address the human dimension of poverty, thus boosting children's life chances.**
- * **Concerted action is recommended to help:**
 - **parents with disabilities; and**
 - **parents of children with disabilities; and**

- **minority ethnic parents; and**
 - **lone parents**
- move into employment**
- * **The Government should increase its attempts to tackle child poverty via all Departments whose responsibilities touch on child poverty.**
 - * **Anti-poverty policies should be mainstreamed across all geographic areas – not just the 20% most deprived Wards.**
 - * **A full list of conclusions and recommendations is at page 92.**

1 The Inquiry

1. Although the Committee's predecessor in the previous Parliament had considered undertaking an inquiry into child poverty, it was not until the current Parliament that the timing was deemed to be right. The Government had announced its intention to eradicate child poverty in 20 years, to halve it by 2010 and to reduce it by a quarter by 2004. The first stage in this challenging target would be reached in the current Parliament and if the momentum was to be maintained towards the later, even more demanding, targets, additional money would almost certainly be required. The additional expenditure would need to be agreed in the Spending Review currently being undertaken by the Government. The Committee hopes that its inquiry and this report will influence and assist those discussions as well as informing the House.

2. The Committee agreed its terms of reference as: "to examine the extent of child poverty in the UK and the effectiveness of the Government's strategy to eradicate it". The inquiry was announced on 25 June 2003 and the Press Notice listed the following issues as likely to be included:

- The measurement of child poverty and the Government's annual poverty report, *Opportunity For All*.
- The extent of child poverty in Britain and the causes of it.
- The impact of child poverty on children and families – are specific groups particularly affected?
- The extent and causes of regional variations in child poverty.
- The effectiveness of the Government's strategies to reduce child poverty and whether the child poverty targets will be met. Is enough being done across Government and are further initiatives needed?
- Comparisons between child poverty within the UK and other countries.

3. Following the receipt of written evidence¹, the Committee decided its programme of oral evidence, which was taken at eight sessions of the Committee between 19 November 2003 and 25 February 2004². The Committee took oral evidence from a wide range of witnesses including voluntary organisations, academics, the Institute for Fiscal Studies (IFS), organisations representing local authorities, Treasury officials, the Minister for Children and Department for Work and Pensions (DWP) Minister and officials.

4. In addition to the formal evidence the Committee visited Paris, Copenhagen and Belfast.³ We have drawn heavily on our experiences during those visits which, although the deliberations are not "on the record", have greatly assisted the Committee in

¹ A list of the written evidence is at p107

² For a list of witnesses see p106 The oral evidence is published as Volume III

³ The notes of the visits are at Annex 3 and Annex 4 respectively

preparing this report and will be referred to throughout. We were conscious, during our visit to Belfast, of the uncertainties of the current political situation during the suspension of the Northern Ireland Assembly. At times it was difficult to determine who had actual responsibility for the various policies concerning child poverty and their implementation and whether that would change once the Assembly is re-instated. We are grateful to the Northern Ireland Affairs Committee, which has formal responsibility for scrutiny of the Northern Ireland Executive during suspension, for supporting our inquiry. We were also aware that other Government Departments had responsibility for policy areas which affect child poverty and its eradication. However, since our report is to the House and the eventual reply will be from the Government we have taken the view that it will be for the Government to respond on behalf of all Departments concerned and for agreed recommendations to be implemented by those who have the relevant responsibility.

5. The Committee depends very heavily on the evidence, oral, written and informal, for the successful conduct of its inquiry. As usual we have been pleased by the response to our call for evidence in this inquiry, for the willingness of witnesses to give oral evidence, sometimes at some personal inconvenience, to the Committee and we are grateful to the many people who helped us before and during our visits. We record our thanks to all those who have contributed to the inquiry.

6. We are especially grateful for additional research undertaken on our behalf by Holly Sutherland of the Microsimulation Unit, University of Cambridge, Professor Mike Noble of the Social Disadvantage Research Centre, University of Oxford and Mr Mike Brewer of the IFS. Throughout the inquiry the Committee had the extremely valuable assistance, as Specialist Advisers, of Professor Jonathan Bradshaw of the Social Policy Research Unit, University of York and Professor David Piachaud of the Centre for Analysis of Social Exclusion, the London School of Economics. We greatly appreciate and value the contribution made by them to our work.

2 Our approach

7. In March 1999, the Prime Minister committed the Government to eradicating child poverty “within a generation”. The Committee understands child poverty to be an aspect of family poverty. Following substantial growth in the national child poverty rate from the early 1980s, the rate peaked at around 34% in 1996-97 and since then has been on a downward trend. Currently, some 3.6 million children in Great Britain are in relative poverty – a rate of 28% in Great Britain. This report analyses the effectiveness of the Government’s anti-poverty strategy, examines what needs to be done to ensure that the child poverty targets are met, and looks to the future by considering child poverty broadly and making recommendations accordingly. However, first it is worth attempting to answer the question – why did child poverty increase by so much?

8. The answer is that the past few decades have seen fundamental social, economic and demographic changes which have strongly influenced the child poverty rate. For example, unemployment increased sharply in the first half of the 1980s – peaking at more than three million – with another peak occurring in the early 1990s. Although the UK now has the lowest unemployment rate since 1975 (2.9%) and a claimant count of 885,200 (1.44 million using the ILO measure), rates of economic inactivity have risen so that more than one in five (21.3%) of the working age population is now without a job and not actively seeking work. The proportion of workless households doubled from less than 10% in the mid 1970s to nearly 20% in 1996 – the rate is currently just under 16%, and for households with children is 15%.⁴ Employment patterns have also changed with a substantial growth in part-time work, temporary and short-term contract work and in self-employment. More women are now employed and the nature of work itself has changed with a decline in manufacturing and a rise in service industries.

9. The child poverty rate is also affected by the large-scale changes in family formation that have occurred in recent decades with a large increase in lone parent families, who now make up a quarter of all families with children in the UK⁵. The proportion of children living in lone parent families increased from 7% in 1972 to 25% in 2003⁶ – one of the highest rates in the EU⁷. The most common route into lone parenthood is marriage breakdown, with over half of lone parents being divorced or separated. In addition, a significant number of lone parents are ex-cohabitants.⁸ In 1971 there were less than 80,000 divorces, but this peaked at 180,000 in 1993 before falling to 157,000 in 2001. The UK has the third highest divorce rate in the EU (2.7 per thousand population) and the fourth highest rate of births outside of marriage (41%) although, in 2002, nearly two-thirds (64%) of the births outside of marriage were jointly registered

⁴ ONS, Labour Force Survey, Autumn 2003

⁵ ONS (2002) *Living in Britain: results from the 2001 General Household Survey*, London TSO

⁶ ONS (2004) *Social Trends, No 34*, London: TSO

⁷ DWP, Family Resources Survey 2002-03

⁸ Labour Force Survey figures, quoted in *One Parent Families: the facts 2003*

by cohabiting couples living at the same address – more than twice the proportion in 1986.⁹

10. It can be argued that the high unemployment rates outlined in paragraph eight and marital and relationship breakdown interact, thereby decreasing family incomes, undermining stable parenting, and increasing child poverty. A literature review on families examined the range of research on family change and identified several factors that increase the likelihood of marital breakdown, concluding that economic disadvantage is clearly linked with divorce, cohabitation, lone parenthood and step-families. The review also acknowledged that cultural and attitudinal changes have contributed to changing family structures and that the relationship between these changes and structural changes in society are complex.¹⁰

11. Teenage pregnancy has also become a worrying aspect of the social landscape with the UK continuing to have the highest teenage birth rate in Western Europe. Although conception rates in England for under 18s have fallen since the teenage pregnancy strategy was established in 1999, the rate has increased from 2001 to 2002.¹¹ The children of teenage parents are more likely than children of older parents to be in poverty and are also more likely to suffer adverse outcomes as they get older. In addition, the likelihood of teenage pregnancy is greater for those who have grown up in poverty.

12. Other instances of social change have occurred which are also strongly associated with poverty. These include an increase in rates of people reporting a limiting long-term illness or disability, an increasing minority ethnic population and an increase in people seeking asylum in the UK.

13. Against this backdrop of social and economic change child poverty grew to unacceptable levels and children in all of the groups outlined so far were at particular risk of poverty. However, it would be too simplistic to argue a direct causal link with characteristics such as worklessness, lone parenthood or teenage pregnancy. As the Child Poverty Action Group (CPAG) point out, even the most affluent people may share these characteristics – the difference is that they are able to buy their way out of deprivation and exclusion.¹² In addition, similar social and economic changes have been seen in other countries too, yet they did not experience the same increase in the child poverty rate. The difference may be that our social protection system operated less successfully than those of comparative countries, that our policy framework for families was less developed than theirs, that our rises in unemployment were especially severe, that our family structure was especially vulnerable or a combination of some or all of these factors. The question remains: what can the Government do to ensure that families have enough income to provide a decent standard of living and to lift children out of poverty and, more broadly, in partnership with the voluntary and community sectors to increase good parenting, family stability and children's life chances?

⁹ ONS (2004) *Social Trends, No 34*

¹⁰ Millar J & Ridge T (2001) *Families, poverty work and care*, DWP Research Report No 153, Leeds: CDS

¹¹ The current conception rate is 42.6 per 1,000 females aged 15-17, compared with 47 per 1,000 in 1998.

¹² Flaherty J et al (2004) *Poverty: the facts*, London: CPAG

14. From 1980 to 1997, relative child poverty rose markedly, although average absolute expenditure by poor families also rose. That rise in relative poverty has been attributed by some commentators to some of the policies of past governments, for example, the freeze on Child Benefit.

15. The Government's approach to benefits and tax credits has been called 'progressive universalism' and is described in the Pre-Budget Report as providing "...help for all families and more help for those who need it most, when they need it most."¹³ Universal support is provided through Child Benefit and targeted support through the progressive Child Tax Credit which aims to reach up to 90% of all families with children. While a targeted approach may be the most cost-effective method of raising the income of low-income families there has to be recognition of the negative side-effects associated with targeting, including disincentives to work, administrative costs, eligibility, regional disparities and non-take-up of benefits.

16. It should also be added that with the current attention on the 2004 target to reduce child poverty by a quarter, it is easy to focus on poverty defined as a lack of income and ignore other aspects of poverty, including social exclusion. There is considerable debate around what is actually meant by the term social exclusion¹⁴ and, as the first *Opportunity For All* report noted, the terms social exclusion and poverty are often used interchangeably. *Opportunity For All* uses the Prime Minister's description of social exclusion as:

"A short-hand label for what can happen when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown."¹⁵

17. The question has also been raised of whether the emphasis on the income measure of poverty means that anti-poverty strategies tend to focus the policy response on increasing parents' incomes through a combination of raising employment rates and reforming tax and benefits rather than, for example, focusing on improving outcomes for children by improving public services or supporting stable parenting.¹⁶ There is a debate to be had on this issue and on whether the new poverty measure, which includes a measure of deprivation, will change things.

18. Finally, in spite of recent and welcome increases to the income of poor families through the £3.50 per week increase in the child element of Child Tax Credit, it could be argued that the Government appears to have placed more emphasis on poverty alleviation by encouraging people into work through a wide range of employment initiatives and work incentives. While some of these have undoubtedly been successful, there may be limits to how far the strategy can go. The various employment PSA targets for different groups show that the Department is struggling to increase the employment rate of minority ethnic people and disabled people in particular. The rise in lone parent employment is also slowing. This suggests that a new employment

¹³ HMT, *Pre-Budget Report, December 2003*, Cm 6042 pg 97

¹⁴ Ev 62

¹⁵ Department for Social Security, *Opportunity For All: First Annual Report 1999*, CM4445, Sepr 1999

¹⁶ Ev 126

strategy is needed, which recognises the multiple and diverse barriers to work faced by some groups. In addition, for some people, the Department might be approaching the limits of what can be achieved through the welfare to work strategy, so that increasing benefits and tax credits for those who are unable to work may be the best way to further reduce child poverty and hit the 2010 target.

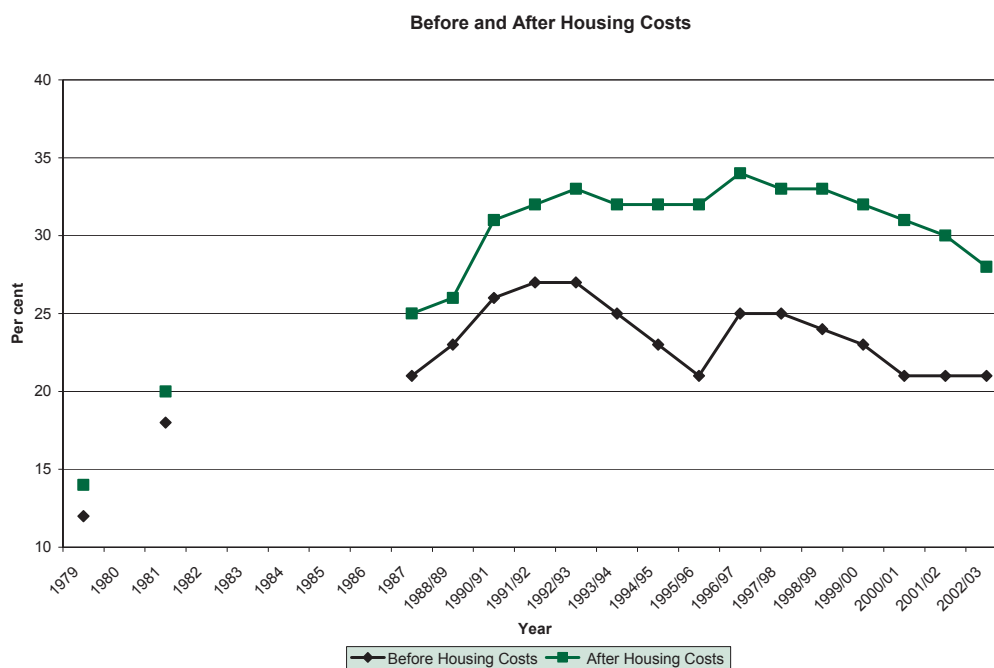
19. The Committee recommends that a comprehensive UK-wide strategy for reducing child poverty is drawn up and published as part of the forthcoming Spending Review. The strategy should consolidate existing child poverty reduction goals and other PSA targets and establish a clear policy framework to be pursued between now and 2010.

3 Background

Extent of child poverty

20. The number of children in poverty has increased threefold in the last 25 years (see chart 1). Using the poverty measure of households below 60% of median equivalised incomes, the most recent Households Below Average Income (HBAI) statistics (2002-03) show that 3.6 million children (or 28% of children) were living in income poverty when measured after housing costs (AHC) and 2.6 million when measured before housing costs (BHC).¹⁷ Internationally, the UK has a comparatively high child poverty rate. Figures from the European Community Household Panel Survey show that in 1998 the UK had the highest child poverty rate in the European Union, but by 2001 the UK ranked 11th out of the 15 European Union nations on child poverty rates (see chart 2).

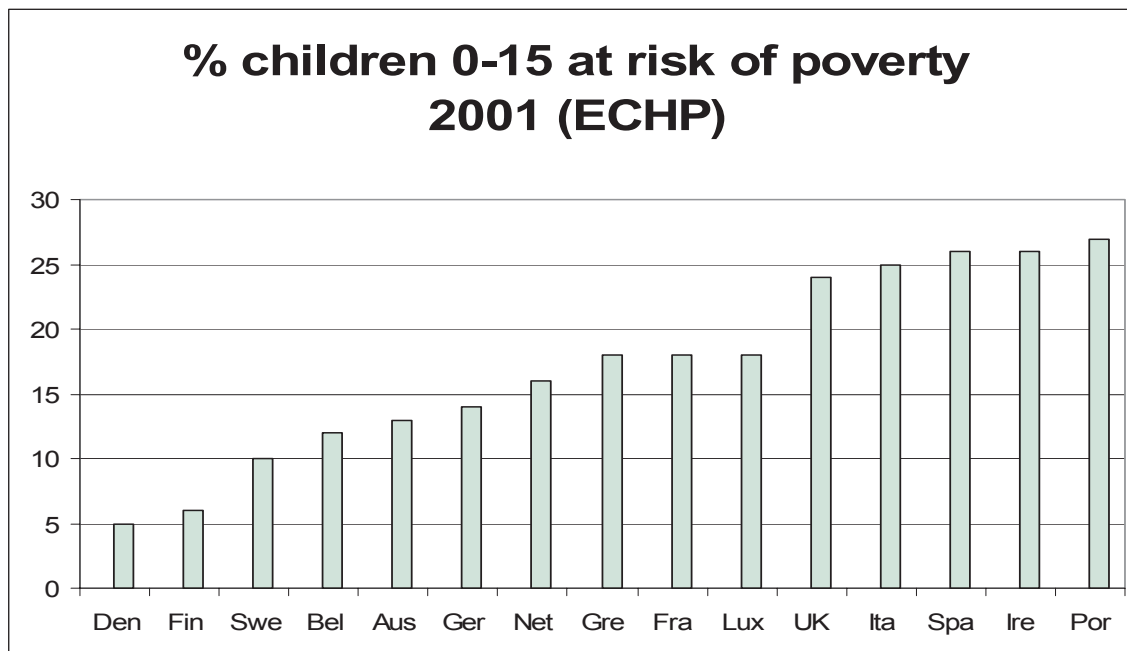
Chart 1: Children in low-income households in Britain¹⁸



¹⁷ DWP (2004) *Households Below Average Income: 1994/5 – 2002/03*, Leeds: CDS

¹⁸ Chart updated from DWP evidence – Ev 221

Chart 2: Child poverty in Europe



21. Specific groups of children are more at risk of poverty than others. For example, the HBAI statistics show that four in five (79%) children in households where no adult is working were in income poverty. 32% of children in a household with at least one working adult and 11% of children in households with all adults in work were also in poverty. More than half (52%) of children in lone parent households lived in income poverty compared with 21% of children in couple households. 48% of children in a family with four or more children were in poverty compared with a quarter (25%) of children in a one child family.

22. Children from minority ethnic households had varying rates of child poverty but were more likely than children in white households to be poor. 26% of white children lived in income poverty compared with 75% of Pakistani/Bangladeshi children, 53% of black non-Caribbean, 39% of black Caribbean children and 22% of Indian children. Evidence suggests that children from minority ethnic groups are making up an increasing proportion of the child population – currently 12% of children in England and Wales are from a minority ethnic group (compared with 8% of the total population) and this is expected to increase to 20% by 2010.¹⁹

23. The age of adults and children in a household also affects child poverty rates, with younger children and younger mothers being associated with child poverty. A third (32%) of children in families where the youngest child is aged under 5 years were in poverty, compared with 29% where the youngest child was aged 5 to 10 years, to 24% for the 11 to 15 age group and 20% for the 16 to 18 age group. Where the mother was aged under 25 years, 53% of children were in poverty, falling to 43% for children whose mothers were aged 25 to 29, to 33% for the 30 to 34 age group and steadily decreasing until the 40-44 age group where it slowly rises again.

¹⁹ Ev 231

24. The presence of disability in a household also raises the likelihood of children being in poverty – 39% of children in households which include a disabled adult were in poverty, compared with 26% of those with no disabled adult; 31% of children in households with at least one disabled child were in poverty, compared with 28% of children in households with no disabled children; and, in households with at least one disabled adult and one or more disabled children, 40% of children were in poverty.

25. Child poverty varies substantially across different geographical areas of the UK too. At a country level, the HBAI statistics show that child poverty in Wales was slightly higher (30% compared with 29% in England and 27% in both Scotland and Northern Ireland). Using a different poverty measure²⁰ recent research on poverty in Northern Ireland found that the child poverty rate in Northern Ireland was 37% compared with 30% in Great Britain.²¹ At a regional level, London had the highest child poverty rate in Britain (38% for Greater London - rising to 54% in inner London). Other regions in Britain with child poverty rates above the national average of 28% are the North East (37%), Yorkshire and the Humber and North West and Merseyside (both at 30%) and the West Midlands (29%). The lowest child poverty rates were in the South East with a child poverty rate of 20%.

The child poverty targets

26. In addition to the long-term goal of eradicating child poverty by 2020 and halving it by 2010, the Government have set a Public Service Agreement (PSA) target which is jointly held by the Treasury and DWP, to reduce child poverty by at least a quarter by 2004-05. The baseline year for the target is 1998-99 when the number of children in poverty was 4.2 million when measured after housing costs (AHC) and 3.1 million when measured before housing costs (BHC). To achieve the PSA target, the child poverty rate needs to be reduced to 3.1 million (AHC) and 2.3 million (BHC). The current child poverty rate (2002-03) is 3.6 million (AHC) and 2.6 million (BHC), so the BHC measure has fallen faster than the AHC measure. Progress is measured against both baselines and the figures for 2004-05 should be available in early 2006. Section 7 will outline in more detail the progress made on the Government's PSA target for 2004-05.

Monitoring child poverty

27. In addition to the range of statistics from HBAI, the Department also produces an annual report on poverty and social exclusion – Opportunity For All (OFA) – which sets out progress against a range of key indicators. 55 trends are monitored in total, with 20 covering children and young people. PSA targets underpin the indicators, with the child poverty target being one of them. The Department also publishes the UK National Action Plan on Social Exclusion – the most recent covers 2003-2005.²² The

²⁰ The research uses a measure of poverty that identifies those children lacking socially perceived necessary items with an income measure of poverty.

²¹ Hillyard P, Kelly G, McLaughlin E, Patsios D and Tomlinson M (2003) *Bare Necessities: Poverty and social exclusion in Northern Ireland – key findings*, Democratic Dialogue, Report No 16.

²² DWP (2003) *UK National Action Plan on Social Inclusion 2003-2005*,

National Action Plan (NAP) includes indicators common to all EU Member States (the Laekan Indicators) as well as UK-specific indicators.²³

28. Other useful information on poverty is also available through a wide range of statistics such as the DWP's administration statistics on benefits. In addition, independent analyses of poverty covering the effect of Government policies on the poverty rate and modelling what is needed to reach the Government targets has been conducted by organisations such as the Institute for Fiscal Studies and academics such as Holly Sutherland and Professor David Piachaud, and in Northern Ireland, Professors Eithne McLaughlin, Paddy Hillyard and Dr Mike Tomlinson. The Department also manages the *Families and Children Study*, a representative survey of British families with children which collects information on a range of issues such as employment, benefits and tax credits, income and childcare.

Child poverty and devolution

29. Although the Government's aim of eradicating child poverty by 2020 is UK wide, the child poverty PSA target is limited to Great Britain only. This is because the Family Resources Survey (FRS) from which the HBAI statistics are drawn, has so far only covered England, Wales and Scotland. From 2002-03 the FRS has been extended to cover Northern Ireland and the latest HBAI statistics include figures for Northern Ireland, Great Britain and the UK. However, it is not clear whether future PSA targets will also be extended to cover the UK. In oral evidence, the Secretary of State told the Committee that the issue would be resolved in the forthcoming Spending Review and that he was personally strongly committed to looking at child poverty from a UK perspective.²⁴

30. The broader poverty indicators outlined in DWP's *Opportunity For All* report mainly cover Great Britain or England only. *Opportunity For All* also covers areas that are reserved to the UK Parliament such as employment, taxation, benefits and taxation. The devolved administrations produce their own reports, covering devolved issues. The UK Government is responsible for joining-up poverty and social exclusion work that is carried out across the UK. *Opportunity For All* briefly outlines the approach taken across the devolved administrations and describes some of the innovative work being undertaken across the UK.

Causes of child poverty

31. The Government's view is that the chief cause of child poverty is worklessness. There is strong evidence to support this, but other causes are also apparent. Since, to quote the CPAG again, even the most affluent people may be workless, it is necessary to look more broadly at other causes which often interact with worklessness, such as marital and relationship breakdown, unstable parenting, inadequate levels of educational attainment and healthcare provision, and involvement in crime.

²³ For more detail see Section 4

²⁴ Qq 473-474

32. Furthermore, work itself is not an automatic route out of poverty. Whereas poverty among lone parents is concentrated upon those out of work, poverty among couples is concentrated upon those in work.

33. It must also be remembered that more employment opportunities will not help lift out of poverty people who are genuinely unemployable, such as those with severe disabilities; people who could be employed, but choose not to be, such as young people who opt instead for further and higher education; and people who do not enter the labour market because of their commitments as, for example, parents of very young children or as carers for elderly parents.

34. In oral evidence Martin Barnes, Director of CPAG, said that the causes of poverty can be complex but can be summed up as an issue of inadequate resources, primarily financial, for which there may be various reasons with worklessness playing a central role. For example, an individual might be unable to access the labour market for a variety of reasons, as they may experience barriers to work. For some people work may not be an option at a particular point in time. Others may be subject to additional costs caused by disability.²⁵ Mr Barnes also referred to families having inadequate financial resources when reliant on benefits or tax credits – this point was also raised in the written evidence of other organisations.²⁶

Worklessness

35. The Department's memorandum attributes the growth in child poverty over the past few decades to a growth in the number of families with no adult in employment and remarks that in spite of recent high employment rates, the distribution of employment opportunities was not shared equally between households. The increase in women's employment was concentrated in households where someone already worked and the proportion of workless households increased, so that by 1997 almost one in five children lived in a workless household.²⁷

36. Worklessness is particularly associated with lone parent families. Demographic changes mean that the proportion of children living in lone parent households has now risen to one in four of all families with children, yet 45% of all poor children live in a lone parent household and the risk of poverty is much higher for children of lone parents than for couple families.²⁸ In 2002-03, 1.62 million children in poverty lived in lone parent households and nearly a quarter (24%) of these were in families where the parent worked. Of the remaining 1.98 million poor children living in couple families, 69% lived in households where at least one parent worked. Of the 1.88 million children living in workless families over two-thirds were in lone parent households.

37. As One Parent Families points out, most families become poor because of a fall in adult earnings and for lone parents this is mainly due to the loss of a partner.²⁹

²⁵ Q1

²⁶ Ev 46

²⁷ Ev 222

²⁸ DWP (2004) *Households Below Average Income: 1994/5 – 2002/03*, Leeds: CDS. See also, para 19

²⁹ Ev 203

Without a partner's income, and their help with childcare, many lone parents have to rely on benefits and consequently will almost always be worse off than couples.

38. The Government acknowledges that tackling worklessness in lone parent families is key to tackling child poverty. Consequently the Government has also set a PSA target to reduce the number of children in workless households by 6.5% – from 15.2% in spring 2003 to 14.2% by 2006. In addition, to target the high risk of poverty for children in workless lone parent households, the Government has a target to get 70% of lone parents into work by 2010. There is also a PSA target to increase that employment rate of lone parents and reduce the difference between their employment rate and the overall employment rate by 2006.

Transitions

39. Research conducted by researchers at the Centre for Research in Social Policy (CRSP), on behalf of Save the Children, suggested that poverty is associated with transitions as a result of lack of earnings or benefits during periods following transitions.³⁰ The research showed that, over a five year period, 29% of children in severe and persistent poverty were in households that had received social security benefits in all five years. Yet the majority (57%) were in households that had experienced a transition: they had either moved from not receiving benefits to receiving them (18%); from receiving benefits to not receiving them (23%); or had experienced two or more changes in either direction (16%). Looking at the working status of the household, over a five year period, nearly one in five (19%) children who experienced persistent and severe poverty were in households that had no workers in any of the five years, yet nearly two-thirds (65%) were in households that had moved between having someone and no-one in work. The research concludes that parents were attempting to move from benefits and into employment but were failing to sustain such moves. Evidence from the *Families and Children Study* suggests that families with a stable work status experienced substantial improvements in their living standards, but the greatest improvements were among lone parents who moved into work.³¹

40. The CRSP research also examined the impact of family transitions upon child poverty and found that nearly three in ten (29%) children in persistent and severe poverty had experienced a change between living with a lone parent, living with a couple or living independently.³² As was pointed out by several organisations, lone parenthood is a lifecycle stage which lasts an average of five years.³³ Government intervention may be able to tackle worklessness in lone parent or couple families, but to what extent is it able to intervene in family lives to prevent lone parenthood from occurring, and is such an option desirable? In oral evidence, the Minister for Children,

³⁰ Ev 56. Transitions were described as changes in children's lives, for example when adults in the family move from benefits into work or vice versa or when the family changes from being a couple family to a lone parent family.

³¹ Vegeris S and Perry J (2003) *Families and Children 2001: Living standards and children*, DWP Research Report 190, Leeds:CDS

³² Ev 62

³³ Ev 89, 200

Young People and Families was very clear that her Department should not support any particular family structure but should invest in supporting parenting. She queried:

“...how can you legitimately provide that support without being seen to intervene in what is a private family and traditionally in the UK we have intervened in family policy only at the point when things start to go wrong.”³⁴

41. She went on to state:

“My job is to ensure that I do the best by children and the best by children is by supporting all parents and I do not think we do enough as a country.”³⁵

42. The Committee agrees that tackling child poverty in lone parent households through helping lone parents move into work is the right approach. We also endorse the suggestion made by Sue Middleton that families in transition need adequate income and benefits to ensure they can protect their children from poverty. We will return to the issue of parenting in section 9.

Income adequacy

43. It was argued that, for children in workless families, it is essential that benefits are set at a level which enables the child to achieve a decent standard of living.³⁶ The level of income needed to meet basic needs is covered in section 4 and the reasons why families may be living on a household income below Income Support levels will be discussed in section 6. Another reason why household income may prove inadequate is disability within the family, resulting in extra costs. Disability Alliance and Barnardo’s both argue that additional expenses are incurred to pay for things such as extra heating, laundry, clothing, transport – especially for hospital appointments and hospital stays; and special equipment or adaptations. They also state that it costs three times more to bring up a child with severe disabilities than a child without disabilities.³⁷ Although benefits covering the costs of disability exist, Disability Alliance argues that take-up is low, that many receive incorrect benefit assessments and that even if the maximum benefit income is received, it often falls short of the amount required.³⁸

44. In addition, although the statistics show that the risk of poverty for children in a family with a disabled parent, a disabled child, or both, is higher than for other children, Disability Alliance pointed out that these figures underestimate the full extent of child poverty, as disability benefits received are counted as income. This means that even if someone is receiving Disability Living Allowance to pay for additional costs incurred because of their disability, this will be classified as income and will therefore distort the survey figures used for HBAI.³⁹

³⁴ Q 381

³⁵ Q 382

³⁶ Ev 46, 60

³⁷ Ev 48, 111-112

³⁸ Ev 112-113

³⁹ Ev 109, Q86

4 The definition and measurement of child poverty

45. Modern definitions of (child) poverty have moved away from conceptions based on a lack of physical necessities towards a more social and relative understanding. To adapt the classical Townsend⁴⁰ definition - children in Britain can be said to live in poverty when they live in families which lack the resources to enable their children to participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved. They are effectively excluded from ordinary living patterns, customs and activities. The use of the word poverty implies a moral imperative that something should be done about it. Poverty in childhood is harmful to current well-being and a threat to well-becoming. Poverty in childhood is associated with many other problems – poor physical and mental health, low educational attainment, poor housing conditions and homelessness, crime, addiction, and, in adulthood, early partnering and child-bearing, family breakdown, unemployment and low pay.⁴¹

46. In order to identify, explain and prescribe action to tackle child poverty and to monitor how successful this action has been, it is necessary to operationalise the concept of poverty or measure it. A variety of measures of child poverty have been developed by social scientists including:

- Measures that relate family income (or expenditure) to a poverty threshold.
- Measures that employ administrative standards such as dependence on Income Support or other income related benefits.
- Measures that are based on a lack of ability to afford items or activities considered necessary.
- Measures based on expenditure patterns – for example families spending more than a certain proportion of their budget on necessities.
- Subjective measures that ask people whether they feel poor or whether they feel their income is adequate.
- Measures that assess outcomes that are associated with poverty and therefore are used as indicators of poverty.
- Recent attempts to operationalise the concept of social exclusion (but not yet with a focus on children).

47. Unfortunately none of these measures is entirely satisfactory. Just to take one example: the most commonly used measure in the UK and internationally is one that

⁴⁰ See for example, Ev 181

⁴¹ This section draws on written evidence from a range of organisations and academics including: Professor Ruth Lister, Ev 2-3; Save the Children, Ev 34; Sue Middleton, Ev 67-69; Professor John Veit-Wilson, Ev 146-164; Child Poverty Action Group, Ev 188-190; and One Parent Families, Ev 204-207.

relates net income to a threshold, such as 60% of the median. This is unsatisfactory in a number of respects:

- It is an indirect measure of living standards or consumption in that it does not take account of borrowing and current income may not reflect current or future command over resources.
- Family income may not represent the living standards of children – there is evidence that parents, particularly mothers, sacrifice their own living standards to protect their children.
- The threshold is arbitrary and lacks transparency, in that it is unrelated to any particular budget standard or explicit standard of living.
- In order to compare the incomes of families of different types and sizes, income has to be adjusted to household size using an equivalence scale, which is also arbitrary.
- It is difficult to collect accurate income data in surveys, particularly for the self employed.
- Then there are difficult choices to be made about whether it is income before or after housing costs or childcare costs, or before or after benefits designed to meet the extra cost of disablement, and/or whether income should be adjusted for regional variations in the costs of living.

The Government approach

48. There are three main official sources of data on child poverty, and social exclusion, in Britain: Households Below Average Income; Opportunity For All and the UK National Action Plan on Social Inclusion

Households Below Average Income

49. The Households Below Average Income (HBAI) series that is derived from an analysis of the Family Resources Survey presents very detailed data on the numbers and characteristics of children living below various income thresholds before and after housing costs. It also uses the British Household Panel Survey to provide estimates of the persistence of poverty. It is an extremely valuable source of evidence and has been the vehicle used to monitor progress towards the Government objective of reducing child poverty by a quarter between 1998-9 and 2004-5.

Opportunity For All

50. Opportunity For All is the main vehicle that “monitors our progress towards the Government’s goal of a fairer, more inclusive society where nobody is held back by disadvantage or lack of opportunity.”⁴² As well as reviewing policy the report includes a set of indicators covering children and young people, people of working age, older

⁴² DWP (2003) *Opportunity for All*, Cm 5956, London: HMSO. Pg vii

people and communities. The indicators covering children and young people reproduce the measures of low income from the HBAI, but also cover children in workless families, teenage pregnancy, school attainment, infant mortality, child injuries, smoking, child protection and housing standards. The latest report shows that on most of the indicators for which there is trend data available the indicators were moving in the right direction or were static.⁴³ The exceptions are the inequalities in infant mortality, teenage parents not in education, employment or training and teenage conceptions, which moved in the wrong direction in the last year. The indicators in Opportunity for All cover Great Britain or England. The Scottish Executive has produced its own Social Justice reports. The DWP organised a consultation when they first began to publish these indicators and account was taken of some of the early criticisms – in particular some health indicators were added.

51. The Committee recognises that the Opportunity For All report is a welcome attempt to take us beyond measures based purely on indicators of income poverty. DWP are still changing the indicators from time to time. We received criticisms from Shelter who stated:

“... the current housing indicator used in *Opportunity for All* does not accurately measure the housing dimension of child poverty. The indicator is based on the Government’s PSA target to ensure that all social housing is brought up to a decent standard by 2010. However it omits large numbers of children living in some of the worst housing conditions – it does not include homeless children, children living in overcrowded accommodation or children living in poor conditions in the private sector.”⁴⁴

52. Shelter therefore propose a housing poverty index that includes homeless households with children living in temporary accommodation, households with children who are overcrowded and households with children living in poor housing. The indicators might also include more up-to-date administrative data – for example the proportion of children in families receiving social assistance or income-related Jobseekers Allowance, and these data could also be used to derive an indicator of the spatial concentration or poor children similar to one we present in paragraph 245.

The UK National Action Plan on Social Inclusion

53. At the Lisbon summit in 2000, the European Council agreed to adopt an ‘open method of coordination’ in order to make a decisive impact on the eradication of poverty and social exclusion by 2010. Member states adopted common objectives at the Nice European Council and all member states drew up National Action Plans against poverty and social exclusion (NAPs/inclusion). The first UK National Action Plan on Social Inclusion 2001-2003 was published in July 2001⁴⁵. In December 2001 the Laeken European Council endorsed a set of 18 commonly agreed Primary and Secondary statistical indicators for social inclusion that had been developed by a working party led

⁴³ See Table 1 in Annex 1

⁴⁴ Ev 133

⁴⁵ Department for Work and Pensions, *United Kingdom National Action Plan on Social Inclusion 2001-2003*, 2001.

by Atkinson⁴⁶. These indicators are useful for EU comparison purposes because they are mainly based on the European Community Household Panel and the Eurostat Labour Force Survey and are therefore consistent between countries. However, only a few of them relate to children.

54. In addition, member countries were encouraged to develop Tertiary Indicators in order to provide more depth. In the UK National Action Plan on Social Inclusion 2003-2005⁴⁷ an Annex adopted a set of tertiary indicators and reported trend data from national sources that are more up-to-date than the primary and secondary indicators. The majority of these indicators were moving in the right direction. Out of a total of 28 indicators covering children, and including direct indicators of poverty, indicators of risk of social exclusion and indicators of help for the most vulnerable:

- 17 have moved in the right direction,
- 5 show no significant movement,
- 1 has moved in the wrong direction, and
- for 5 there is insufficient data to determine a trend

55. Also in that Annex the Government presented a list of Targets - mainly those relevant to social exclusion, which already form the UK Government Public Service Agreements or local PSAs or targets set by the devolved administrations that do not follow the PSA methodology.

Measuring child poverty

56. It was partly because of the problems with the headline income measure of child poverty that the Department for Work and Pensions began to consult on alternatives in 2002.⁴⁸ The consultation document outlined four approaches:

- the multi-dimensional approach of Opportunity for All;
- an index of headline indicators;
- a measure of 'consistent poverty' based on the Irish method; and
- a core set of indicators and a measure of 'consistent poverty'.

57. The Government published preliminary conclusions from its consultation on the medium- to long-term measurement of child poverty⁴⁹, concluding that there was no consensus, and further work was needed to investigate a tiered approach and the place of relative income in any measure. A Technical Experts Group was appointed to advise

⁴⁶ Atkinson, A., Cantillon, B., Marlier, E. and Nolan, B. (2002) *Social Indicators: the EU and Social Inclusion*, Oxford: University Press.

⁴⁷ Department for Work and Pensions, *United Kingdom National Action Plan on Social Inclusion 2003-2005*, 2003. www.dwp.gov.uk/publications/dwp/2003/nap/index.asp

⁴⁸ Department for Work and Pensions (2002) *Measuring Child Poverty: A consultation document*, London.

⁴⁹ Department for Work and Pensions, *Measuring Child Poverty Consultation: Preliminary conclusions*, 2003.

on that work and the Department's conclusions were published in December 2003, after the Committee began its inquiry.⁵⁰

58. The Government's main proposal is to adopt a tiered approach to monitor progress on child poverty in the UK over the long term. Three indicators have been adopted:

- Absolute poverty – the number of children living in households with incomes below a threshold that is adjusted for inflation.
- Relative low income – the number of children living in households with incomes below 60% of the contemporary median equivalised household income.
- Material deprivation and low income combined – the number of children living in households that have incomes below 70% of the contemporary median and who are materially deprived (lacking certain goods and services).

59. According to the Department, "Using this measure, poverty is falling when all three indicators are moving in the same direction."⁵¹

60. Most of the evidence we received relating to these proposals was broadly supportive. The Committee welcomes the proposals for a measure that ensures consistency with the existing 60% of median measure and also provides a measure of the risk of material deprivation. However the Government needs to be careful that it will not be accused of "moving the goal-posts". In the evidence we have received there have been four particular concerns.

What is the target?

61. It is still not clear from the *Measuring Child Poverty* report what the Government's target is going to be beyond 2004-5. The report says it will be making progress when all three indicators are moving in the same direction. Does that mean they will have achieved their target of reducing child poverty by a half by 2010 when all three measures have fallen by a further quarter between 2004-5 and 2010, or any one or two? This absence of clarity is further complicated by the suggestion in the Secretary of State's Foreword to the report:

"Whereas in 1997 Britain's child poverty record was placed amongst the worst in Europe, I am clear that in order to achieve our ambitions we must strive towards being amongst the best"⁵²

62. Also in oral evidence he suggested:

"In terms of success of outcome, I would say that it will be when no child is materially deprived through lack of income and we have relative low income

⁵⁰ Department for Work and Pensions (2003) *Measuring Child Poverty*, DWP.

⁵¹ Department for Work and Pensions (2003) *Measuring Child Poverty*, DWP. Pg 7

⁵² Department for Work and Pensions (2003) *Measuring Child Poverty*, DWP. Pg iii

rates....amongst the best in Europe, andwe aim to make progress on all three indicators in our measure .⁵³

63. This is echoed in the following from the *Measuring Child Poverty* report:

“Success in eradicating poverty could, then, be interpreted as having a material deprivation child poverty rate that approached zero and being amongst the best in Europe.”⁵⁴

64. “Amongst the best in Europe” suggests (in 2001) a child poverty rate of 5% in Denmark, 6% in Finland and 10% in Sweden, compared with the UK figure of 24%. However Denmark, Finland and Sweden are not content with these much lower child poverty rates and a rate around these levels seems very different from the ambition to *eradicate* child poverty in a generation. The Secretary of State himself defined eradicate as “pluck by the roots and obliterate.”⁵⁵

65. *Measuring Child Poverty* says:

“Our new measure of child poverty will begin from 2004/5..... The data for both our current PSA target and the baseline for our new measure will be published in 2006 when the data from the 2004/5 Family Resources Survey are published... In applying the new measures – as we move towards our next goal, to halve child poverty by 2010 on the way to eradication in 2020 – we will continue to judge progress against relative low income alongside our new measures on material deprivation and absolute low income. The detail of the PSA target that will achieve this will be set as part of successive Spending Reviews. This will include publication of technical details of any new targets.”⁵⁶

66. The Committee urges the Government to state exactly which measures it will use to define the eradication of child poverty, and how it will use them. It also recommends that the next PSA target for base year 2004-05 should be derived from the 60% of median income after housing costs measure. Using the median income before housing costs figure would mask the true extent of child poverty.

Housing costs

67. Whether the target to reduce child poverty by a quarter by 2004/5 was before or after housing costs (BHC or AHC) was never specified by the Government. HBAI and *Opportunity For All* have published child poverty rates estimated both before and after housing costs. In its proposals the Government has now decided to adopt the BHC measure, again on the grounds that that is the practice in the Laeken/EU Primary Indicators. Yet the Secretary of State recently quoted the after housing costs figure in claiming a child poverty reduction of 200,000 in 2002-03.⁵⁷ The child poverty rate in

⁵³ Q 469

⁵⁴ Department for Work and Pensions (2003) *Measuring Child Poverty*, DWP. Pg 20

⁵⁵ Q 470

⁵⁶ Department for Work and Pensions (2003) *Measuring Child Poverty*, DWP. Pg 19-20

⁵⁷ DWP press notice, 30 March 2004

2002-03 was 21% BHC and 28% AHC. Thus the Committee notes that the BHC target is much easier to meet. Several organisations, including IFS, CPAG and the Zacchaeus Trust protested against these changes.⁵⁸ CPAG argued “At a stroke the measurement change in the relative low-income measure has ‘removed’ 900,000 children from poverty...”. The Secretary of State sought to defuse criticism of this change by assuring the Committee that the Department would continue to publish after housing costs child poverty data in the HBAI reports. He also pointed out that the third tier measure in using deprivation indicators would, to an extent, reflect the impact of housing costs on living standards.⁵⁹ However, the Committee also noted evidence that whether child poverty is measured before or after housing costs makes a big difference to its spatial distribution – the North East has the highest child poverty rate on a before housing costs measure and London on an after housing costs measure. It would, therefore, be possible to meet the national target for reducing child poverty in one part of the UK whilst potentially seeing a deterioration in another, which would not be acceptable. Also the evidence suggests that after housing costs is a much better measure of actual living standards for two reasons.⁶⁰ First, before housing costs income includes any housing benefit received despite the fact that it is paid out in rent. Second, the rents that households pay in the UK are not very closely associated with the quality of their housing - the living standard they can afford is after they have paid for their housing. Rent restructuring as currently envisaged could well increase cost differentials within and between areas, and, coupled with a standard housing allowance in the social rented sector, this could intensify the problem, possibly even by forcing parents to choose between worsening their housing conditions or reducing their post-housing income.

68. An important reason for the EU to use a before housing costs measure is that their main vehicle for providing poverty data, the European Community Household Panel Survey, does not collect adequate housing data. It appears perverse to adopt the least best when in the Family Resources Survey the UK has a much more accurate source of data on housing costs. **The Committee believes that the decision to adopt only the before housing costs measure is mistaken. We believe that the after housing cost statistics remain of huge relevance and should continue to be published.**

Change in the equivalence scale

69. The Department has decided to change from using the McClements equivalence scale to adapt income to family or household size to the modified OECD scale. The justification given for this is that it brings the UK into line with the usage in the EU and the Laeken indicators. This change will actually *increase* the number of children defined as in poverty, because the modified OECD scale gives a higher weighting than the McClements scale to the needs of young children.⁶¹ The proportion of children living in families with equivalent incomes before housing costs less than 60% of the median in 2001-02 was 21% using the McClements scale and 23% using the modified OECD scale.

⁵⁸ Qq 237-238, Ev 184, (vol III), Ev 109 (vol III)

⁵⁹ Qq 514-521

⁶⁰ Qq 237-239, Qq 242-244, Q268, Ev 155 (vol III)

⁶¹ See Table 2 in Annex 1

The poverty threshold

70. We recommend above⁶² that the next PSA target for 2004-05 should be derived from the 60% of median income after housing costs measure. However, we do have misgivings about the validity of the income thresholds proposed as they are arbitrary and related to no standard of need or adequacy. We have received very strong representation in the evidence that the Government should be making use of budget standards methodology when setting poverty thresholds.⁶³ Some have proposed that a Minimum Income Standards Commission independent of government should be established to publish budget standards.⁶⁴

71. A budget standard is a basket of goods which when priced provides a level of living. The evidence suggests that while budget standards do have defects they also have advantages over arbitrary income thresholds in that they are drawn up to achieve a transparent standard of living that is based on standards of nutritional adequacy, estimates of the fuel expenditure needed to achieve warmth, and so forth.⁶⁵

72. Referring to the work of those who support budget standards, such as the Zacchaeus Trust, the Secretary of State said:

“I think this work is interesting and it is important that we follow it closely and continue to review it as we set future levels of income support and benefits bearing in mind...the progress we make in reducing child poverty and poverty more generally. I have to say that there are problems with this budget standards approach. I do not think that in assessing poverty you can actually get away from the need for indicators, and the problem with the methodology as far as I have looked at it on this budget standards approach, is that it does seem quite subjective. You do have to construct an array of cases for a very large range of circumstances and I think there are problems maintaining consistency over time. Now that is not to say that some of these problems are not there with some of the other measures. You can say on our material deprivation component of the measure we are proposing that over time that sort of basket of goods and services and what can people access will change, but I think there are particular problems with the budget standards approach in that respect. However that does not mean that that sort of work and other similar studies should not inform our overall approach, I believe it should, but I do not think it is the basis for a measure.”⁶⁶

73. It is worth reflecting on this passage. It is certainly a more positive attitude to budget standards than in the Department’s measuring child poverty consultation and the final proposals. Budget standards are not being advocated as an alternative to indicators. The Secretary of State is right to suggest that budget standards need to be drawn up for a range of family types and need to be revised and updated from time to time – though the costs of doing this are tiny compared to, for example, the costs of the

⁶² Para 66

⁶³ Ev 18-27, 67-69, 146-164, 188-190, Ev 109 (vol III)

⁶⁴ Ev 52, 189, Ev 109 (vol III)

⁶⁵ Ev 68-69, Ev 189

⁶⁶ Q 472

Family Resources Survey. He is also right that the choices about what items to include in a budget standard are often quite subjective. However, evidence suggests that they are more objective and transparent than drawing an arbitrary line on the income distribution.

74. One reason for the Department's reluctance to use budget standards is an anxiety that they will in some way be used to fix social assistance and other scale rates, and some advocates believe they can be used for this purpose. However, the Committee recognises that benefit levels cannot be determined by budget standards. Ministers have to have regard to a range of factors in fixing benefit levels including the resources available and incentive effects. In practice the Income Support and Pension Credit scales are anyway currently well above the latest version of the Family Budget Unit's low cost but adequate budget – though the FBU acknowledge that that is based on a budget originally derived in 1998 and that it needs to be revised⁶⁷. But the fact that budget standards cannot be used to fix benefit scales does not mean that they cannot be used to inform debate about their adequacy, or to fix an income threshold in poverty measurement. The Committee believes that the research into budget standards provides important input into deciding appropriate poverty standards and we are disappointed that the Department has not properly engaged in a debate on adopting them. **We recommend that the Department seriously considers revising its policy on budget standards with a view to adopting them as a tool for exploring living standards and helping to fix poverty thresholds for the future strategy on child poverty.**

⁶⁷ Ev 109, (vol III)

5 The impact of poverty upon children

75. There is a wide range of research which highlights the impact of poverty upon children and which shows that growing up in poverty has adverse outcomes for children.⁶⁸ The issue of outcomes for children was not explicitly addressed in the inquiry, but was touched upon in some of the written evidence.⁶⁹ In their written evidence, CPAG stated:

“The evidence is clear and compelling: growing up in poverty has adverse consequences for children. The effects are manifested in different ways: on physical health and development; learning and behaviour and emotional well-being. The result is that children are prevented from realising their full potential.”⁷⁰

76. This is summed up in *Opportunity For All* which states: “Today’s poverty can translate into tomorrow’s poor outcomes.”⁷¹ The report goes on to say that unequal life chances for children damages not only the children themselves, but also society as a whole.

Hardship, deprivation and social exclusion

77. As Professor Ruth Lister pointed out, while it is important to examine and to tackle the long-term effects of child poverty, we should also be concerned with the impact of poverty on today’s children and on the way in which they experience childhood.⁷² One way of looking at this is to examine children’s access to necessities, as this gives some idea of the realities of poverty as experienced by children now, rather than in the future. This was comprehensively explored in the Poverty and Social Exclusion (PSE) Survey.⁷³ The survey was carried out in 1999 and although the results are now a little dated they are still worth examining, as they are very comprehensive. The PSE survey highlighted the extent to which children in poverty lacked necessary items and were unable to participate in social activities. The PSE survey derived a list of 30 ‘socially perceived necessities’ and children were defined as deprived if they lacked one or more necessities because their parents could not afford them. The survey found that 34% of children lacked one or more items and 18% lacked two or more. One in fifty children were found to be without a warm, waterproof coat, daily fresh fruit and vegetables and new, properly fitted shoes. One in ten children who were deemed to be poor because they lacked two or more of the necessary items, did not have a warm coat, daily fresh fruit and vegetables and properly fitted shoes.

⁶⁸ Gregg P, Harness S & Machin S (1999) *Child development and family income*, York: JRF; Ermisch J, Francesconi M & Pevalin D (2001) *Outcomes for children of poverty*, DWP Research Report No 158, Leeds: CDS; Bradshaw J (ed) (2001) *Poverty: the outcomes for children*, FPSC/ESRC

⁶⁹ Ev 1, 181, 237

⁷⁰ Ev 181, para 5

⁷¹ DWP, *Opportunity For All: Fifth Annual Report 2003*, CM5956, September 2003

⁷² Ev 1

⁷³ Gordon D et al (2000) *Poverty and Social Exclusion in Britain*, York: JRF

78. More recently, a hardship index was constructed using the Family and Children Study (FACS) 2001 based on three aspects of life: family finances, housing conditions and material deprivation.⁷⁴ DWP written evidence points out that material well-being of both couple and lone parent families and of working and non-working families improved across all dimensions between 1999 and 2001.⁷⁵ In 2002, FACS found that

“...despite a reported improvement in material well-being for families at the start of the 21st century, in 2002 there were still families that went without items and activities many would regard as necessities.”⁷⁶

79. The most common deprivation was in the form of leisure activities such as a one-week holiday and money for trips or outings. Lone parent families were twice as likely as couple families to lack at least one item (81% compared to 40%) and four times as likely to lack 11 or more items (16% compared to 4%). 10% of lone parents could not afford meat or fish every other day, compared to 2% of couples. 40% of lone parent families did not have money for trips, outings and gifts to take to parties, compared to 13% of couple families. Nearly three in five (57%) lone parents were unable to afford a one week holiday away from home, compared to a fifth (21%) of couple families.

80. We heard evidence from Shelter about the impact upon families of homelessness and unmet housing need. Shelter’s evidence stated that there are currently:

- Record numbers of more than 93,000 homeless households in temporary accommodation
- More than 100,000 children become homeless every year
- Over 300,000 families with children live in over-crowded housing
- More than 900,000 families with children live in poor housing

The Committee accepts the argument that conditions such as homelessness and chronic over-crowding significantly impact upon a child’s life chances. **We agree that a housing needs indicator should be included within the overall measure of child poverty.**

Severe and persistent poverty

81. One aspect of child poverty which has so far received little attention is that of the persistence of poverty and the depth or severity of poverty. Recent research conducted by researchers at CRSP, and outlined in the written evidence from Sue Middleton, extensively explores the extent of severe and persistent poverty in Britain.⁷⁷ Using the PSE survey, the research highlighted that 8% of children were in severe poverty – that is, both the children and parents were materially deprived and their household income was below 40% of the median. Severely poor children lacked items that were the most highly ranked, such as meat/fish/vegetarian equivalent twice daily (lacked by 31% of

⁷⁴ Vegeris S & Perry J (2003) *Families and children 2001: Living standards and the children*, DWP Research Report 190,5

⁷⁵ Ev 225

⁷⁶ Barnes M et al (2004), *Families and Children in Britain: Findings from the 2002 Family and Children Study (FACS)*.

⁷⁷ Ev 56

severely poor children); fresh fruit and vegetables daily (lacked by 21%); at least seven new pairs of underpants (18%); new properly fitted shoes (17%); and a warm waterproof coat (13%).

82. Using the British Household Panel Survey (1991-99), the CRSP research also shows that 20% of children experienced persistent poverty. That is, they had three out of five years in poverty – none of which was spent in severe poverty. In addition, 9% of children experienced persistent and severe poverty, that is, they were poor for at least three out of five years and had at least one year in severe poverty.

Extent of Persistent and Severe Poverty

<i>Poverty Type:</i>	%
Persistent and Severe (3 or more yrs in poverty, at least 1 yr in severe poverty)	9
Persistent only (3 or more yrs in poverty, none in severe poverty)	20
Short-term and Severe (less than 3 yrs in poverty, at least 1 yr in severe poverty)	4
Short-term only (Less than 3 yrs in poverty, no years in severe poverty)	18
No poverty (Not in poverty in any year)	50

83. The CRSP research concludes that there are two distinct groups of children who are more likely to be in persistent and severe poverty. The first, outlined earlier,⁷⁸ were children who had experienced income volatility brought about by transitions between the work and benefits status of the household. The second were children whose households were relatively financially stable but bleak, for example, those in long-term workless households.

84. In addition to the PSA target to reduce child poverty by a quarter, *Opportunity For All (OFA)* contains an indicator on the proportion of children living in persistent poverty. Persistent poverty is defined as living in households with a BHC income of below 60% or 70% of the median in three out of four years. This is different to the definition used in the CRSP research. It also does not include the separate dimension of poverty severity, although relative and absolute poverty are measured using the below 50% median income measure as well as the 60% and 70% measure. The *OFA* data suggests around one sixth of children were in persistent poverty with very little movement occurring since the 1992-1995 data.

85. The research evidence from CRSP on severe and persistent poverty and the measure of persistent poverty in *OFA* is unable to show whether there has been a reduction over time. However, looking at another more recent survey source, the FACS hardship index showed that, in 2001, 14% of families were in severe hardship and a

⁷⁸ See para 35

further 35% were in moderate hardship in 2001.⁷⁹ This compares with 1999 when 26% were in severe hardship and a further 39% were in moderate hardship. As with material deprivation measures, the survey showed improvements for all families, but advancement was less pronounced for non-working families. Family hardship fell as income increased and hardship was more common for lone parent families than for couple families (19% of lone parent families were in severe hardship compared with 7% of couples). Large families were also much more likely to experience hardship than smaller families (21% of families with four or more children were in severe poverty and a further 50% were in moderate poverty compared with 7% and 21% of families with one child).⁸⁰

86. The FACS appears to suggest that reductions in numbers experiencing hardship have occurred in recent years, although this is not the same as a reduction in severe and persistent poverty. Sue Middleton argues :

“Within the context of target-driven policies, such as the reduction of child poverty by one-quarter by 2004, there is a temptation to focus on those who are easiest to help, that is, those children who are closest to the poverty line and, arguably, easiest to raise above it. Yet if this leaves a group of children behind who are experiencing the most severe poverty, humanitarian concerns would suggest that different policy solutions are required. If child poverty is to be eradicated, it would seem essential to maintain a focus on dealing with children who are facing the most difficult circumstances and to ensure that policy interventions benefit this group.”⁸¹

87. Consequently, she concludes that data on severe and persistent poverty should be collected and published and that the elimination of severe poverty should be incorporated into official targets.⁸²

88. In oral evidence, the Secretary of State acknowledged that as progress is made against the child poverty target it will become more difficult to make further progress. He went on:

“...it is certainly our goal that our policies should give most help to the poorest children and poorest families who need it most and I believe that the measures we are adopting will enable us to analyse and track that and take remedial action where it is necessary.”⁸³

89. The Government’s targetted approach to tackling child poverty, by definition, is aimed at those who are most in need. However, the Committee is concerned that the extent to which this strategy is reaching the very poorest children, as highlighted in the CRSP research, is unclear. We believe that specific measures are needed to tackle poverty for the most deprived children and that further research is needed to ascertain how best to target children in severe and persistent poverty. The Government must not

⁷⁹ The 2002 FACS did not include updated hardship figures.

⁸⁰ Vegeris S & Perry J (2003) *Families and children 2001: Living standards and the children*, DWP Research Report 190,

⁸¹ Ev 59

⁸² Ev 59

⁸³ Q448

take the easy option of only helping those children out of poverty who are the easiest to reach. **The Committee recommends that the national strategy on child poverty develops immediate policy initiatives to assist children in severe and persistent poverty and creates an explicit indicator against which progress can be measured.**

Children's perspectives on poverty

90. There is a growing body of research that looks at children's own views and experiences of living in poverty and social exclusion.⁸⁴ Acknowledging this, the Department's recent consultation on measuring child poverty included workshop discussions with children and young people. Although the Committee has not directly sought the views of children, the inquiry has received some very useful written evidence highlighting the voices of children in the poverty debate. It has been an extremely valuable addition to the inquiry and the Committee would like to thank all of the organisations and individuals who have carried out this valuable research, which adds a crucial dimension to the poverty debate.

91. Based on her research with children, Dr Tess Ridge stated:

“...poverty and disadvantage can permeate every aspect of [*children's*] lives; from the material and more quantifiable aspects of their needs, to the social and emotional requirements of childhood.”⁸⁵

92. Dr Ridge's research showed that children in poor families were disadvantaged in a range of ways. For example, they lacked pocket money or any other personal income, which had significant implications, and those who did have personal income used it to pay for necessary things such as bus fares and school items. Children had little access to transport, especially those in rural areas. They were excluded from participating in school activities through financial disadvantage and felt the pressure of social stigma through 'inappropriate' dressing and through receiving free school meals. Research from Save the Children which explored children's experiences of school also found that poor children felt they were missing out and stigmatised because they could not afford the proper school uniform or essential school equipment, they had free school meals and they could not pay for 'extras' such as social activities in school, school trips and books.⁸⁶

93. Barnardo's points out that, “lack of parental income means that poor children are often excluded from the activities that their peers take for granted, resulting in social exclusion.”⁸⁷ This was illustrated in Sue Middleton's evidence citing her research on severe and persistent poverty which also explored children's experiences of social exclusion from social activities and local services. She found that a quarter of children in severe poverty were excluded from social activities, such as having friends round for

⁸⁴ Ridge T (2002) *Childhood Poverty and Social Exclusion: From a child's perspective*, Bristol: Policy Press; Willow C, (2001) *Bread is free*, CRAE and Save the Children; Crowley and Vulliamy (2002) *Listen Up! Children and Young People Talk about Poverty*, Save the Children

⁸⁵ Ev 239

⁸⁶ Ev 36-37, Crowley and Vulliamy (2002) *Listen Up! Children and Young People Talk about Poverty*, Save the Children

⁸⁷ Ev 49

tea or a snack once a fortnight, because their parents could not afford it. This compares with 7% of children in non-severe poverty and only 2% of those not in poverty. Just over one in ten (11%) children in severe poverty, 8% of children in non-severe poverty and 5% of children not in poverty were excluded from leisure activities and services which had to be paid for such as youth clubs and play facilities.⁸⁸

94. This research provides a snapshot of children's lives as lived in poverty and social exclusion and highlights the reasons why poverty reduction and, eventually, eradication is so important for children in terms of short-term outcomes as well as in the long-term.

The costs of participation in education

95. The Committee received compelling evidence that children experience further exclusion through the financial costs of participation in school life, which further reduce the family finances.⁸⁹ CPAG and Citizen's Advice argued that the financial costs of education include school uniform costs and extra curricular activities, and that these form a very real barrier for children.

School uniforms

96. Research suggests that 13% of all children aged 11 live in a family who said that their child/ren needed a school uniform but could not afford it.⁹⁰ A CAB report⁹¹ found that the availability and level of Local Education Authority school clothing grants have declined in real terms since 1990 and that some children had been threatened with exclusion from school because their parents had not been able to afford the correct school uniform. Further research⁹² found that 30% of LEAs provided no help at all towards school uniform costs. Only 28% of LEAs offered grants to children of both primary and secondary school age. 41% of these did not offer annual payments and they all operated strict eligibility criteria. In correspondence to the Committee, the Minister for Children stated,

“...the decision whether to provide grants rests with the individual LEA, and they are free to set their own criteria for eligibility... We do not collect data on the number of LEAs providing grants, but... we issued guidance for teachers, governors and parents in February 2002.”⁹³

97. In oral evidence, when asked whether LEAs should provide grants for school clothing, the Minister for Children commented, “far be it from me to tell LEAs what to do.”⁹⁴

⁸⁸ Ev 63

⁸⁹ Ev 184, 198

⁹⁰ Howard M (2003) *Lump Sums: Roles for the Social Fund in Eradicating Child Poverty*, OPFs/CPAG/FWA

⁹¹ CAB (2001) *Uniform failure*

⁹² Help with School Clothing Costs: CAB briefing, NACAB, August 2002

⁹³ Ev 175 (Vol III)

⁹⁴ Q437

98. The Committee believes that school clothing grants are essential for low-income families. **The Committee recommends that the national strategy should earmark new resources to provide for adequate school clothing for all low-income families and that the Government take appropriate action to enable LEAs to provide school clothing grants.**

Free school meals

99. Free school meals play an important role for children in poverty. Children whose parents are on income-related benefits are entitled to free school meals, which, when claimed, can be an important addition to the diet – particularly when there may be no guarantee of regular hot meals at home. Research also points to a link between an adequate healthy diet and educational attainment.⁹⁵ However, problems arise when the quality of the free school meal is low and when children do not take up their entitlement.

100. In correspondence to the Committee, the Minister for Children stated that, “we encourage all children to take up their entitlement to free school meals.”⁹⁶ In oral evidence, she also told us that 1.2 million children in England were eligible for free school meals and that take-up was just under a million.⁹⁷ One of the key reasons why children do not take up their free school meal is because of the stigma, particularly if the school does not take measures to ensure that children receiving school meals are not identified by other children.⁹⁸ Research by CPAG found that a third of children and two-fifths of parents identified embarrassment or fear of being teased as a key factor which put children off taking up their free school meal.⁹⁹ They went on to say:

“Poverty, where it is ‘visible’, tends to result in poor children being treated differently from their peers. This is clearly unpleasant and uncomfortable for those children experiencing it. Beyond this it has financial implications through the non-take-up of stigmatising benefits.”¹⁰⁰

101. As with school clothing grants, the duty to provide a free school meal rests with the LEAs. In 2001, the DfES set minimum nutritional standards for school meals and provided guidance on standards. As a result of consultation, food-based standards have now been introduced.¹⁰¹ The Department is currently conducting a survey to assess whether these standards are being complied with.

102. The Committee recommends that the national strategy on child poverty should ensure nutritionally balanced school meals are available to all low income families in a stigma-free way.

⁹⁵ Ev 184

⁹⁶ Ev 175 (vol III)

⁹⁷ Q426

⁹⁸ Ev 185, 238

⁹⁹ Ev 185

¹⁰⁰ Ev 185

¹⁰¹ Ev 175 (vol III)

6 Household finances: debts and the Social Fund

103. One effect of living in poverty is a high proportion of household debt. The evidence received during the inquiry showed that debt repayments, including Social Fund repayments, frequently result in families living well below Income Support levels.¹⁰² Research on children in severe and persistent poverty found that nearly nine in ten (87%) of children who were in severe poverty were in households that were in receipt of Income Support (IS) or Jobseeker's Allowance (JSA). Yet the average household income of children in severe poverty was found to be well below IS and JSA levels.¹⁰³ This was explained by issues such as deductions from benefits to repay debts, including Social Fund loans; non take-up and under-claiming of benefits; benefit sanctions; and inadequate benefit levels. This section will address some of these issues.

Household debt

104. The Families and Children Study (FACS) showed that a sixth of families (17%) were behind in paying bills, such as utility bills, council tax, credit cards and rent and mortgage repayments. One quarter of lone parents who were not working (or were working less than 16 hours) and 14% of lone parents who were working more than 16 hours per week had two or more debts. For couples, 23% where both partners were not working (or were working less than 16 hours) had two or more debts, compared with 7% for couples with one partner working and 2% where both partners worked.¹⁰⁴

105. Citizens Advice have considerable expertise in the area of debt advice and informed the Committee that of the more than one million debt inquiries that they receive every year, 43% are from people on means-tested benefits or tax credits.¹⁰⁵ According to research conducted by Citizen's Advice, the most common reasons for falling into debt were living long-term, on a low income, over-committing financial resources and job loss. Consumer credit was shown to be forming a larger proportion of household debt than in previous years, with a disproportionate number of people having catalogue debt and doorstep-collect credit. This poses problems as this type of debt has very high interest rates.¹⁰⁶

106. Citizens Advice concluded:

“It is difficult to address the issue of child poverty without addressing the issue of debt...initiatives must tackle irresponsible lending and borrowing, lack of access to affordable credit and access to advice...”¹⁰⁷

¹⁰² Ev 17, 49, 194

¹⁰³ Ev 59

¹⁰⁴ Barnes M et al (2004) *Families and Children in Britain: Findings from the 2002 Families and Children Study (FACS)*

¹⁰⁵ Ev 199

¹⁰⁶ Ev 200, Qq 60-64

¹⁰⁷ Ev 200

107. A crucial part of this is increasing access to financial advice and to financial education so that people can make considered judgements over which type of credit is best for them.

Social Fund

108. For families who have been on means-tested benefits for at least six months, the Social Fund provides interest free ‘budgeting’ and ‘crisis’ loans to those who lack immediate funds and are threatened with serious damage or risk to their health and safety. Community Care Grants (CCGs) are also payable to those who meet specified criteria such as needing to move because of disability, disaster or personal safety.

109. The Social Fund was raised by many giving both written and oral evidence as contributing to the low-income of families with children.¹⁰⁸ A range of problems was identified with CCGs, such as a restricted budget; applications being refused as they are deemed not to be high priority; and grants that are too low to meet the needs of families. Budgeting Loans are also criticised for the inadequate budget and for the restricted availability to those on IS and income-related JSA for more than 26 weeks. Other issues include people with outstanding loans being turned down, even if they are in real need, and repayment rates which are too high.

110. Our predecessor Committee conducted an inquiry into the Social Fund and produced a Report in March 2001¹⁰⁹ in which they urged the Government:

“To take a radical look at the Social Fund. So that it may work to enhance the strategy to reduce child poverty, rather than work against it...We have concluded that the scheme in its present form needs urgent overhaul and an injection of funds. Without such action, there is a strong possibility that the wider social policy objectives of the Government will be endangered.”

111. Three years after the Committee’s Report, some further funds have been added to the Social Fund budget – an additional £90 million in the three years to 2005-06. However, a radical review has not so far occurred. In oral evidence the Secretary of State said, “We continue to examine how it can be improved, and the case for resourcing it better as well.”¹¹⁰ He went on to say, “I do not think it is perfect but I do not think it is so imperfect that we should abandon it.”¹¹¹

112. Strategies for improving the Social Fund were raised by some. Citizens Advice argued that eligibility should be extended to those receiving maximum Child Tax Credit, Working Tax Credit and those whose sole income is Incapacity Benefit or contribution-based JSA.¹¹² CPAG put forward several recommendations on reform of the Social Fund, based on their work with One Parent Families and the Family Welfare Association, to ensure that it meets the child poverty objectives. These include Child

¹⁰⁸ Ev 46, 59, 87, 191, 197, 214, 240

¹⁰⁹ Social Security Select Committee, *Third Report: The Social Fund*, 27 March 2001, HC 232

¹¹⁰ Q 522

¹¹¹ Q 524

¹¹² Ev 197

Development Grants, payable at key stages of a child's life; Child Health and Safety Grants, for items to maintain the health and safety of children; Secure Homes Grants, for families who separate or are homeless; and an Opportunity Grant, to help parents make the transition from benefit to paid work.¹¹³ The costs of such proposals vary. For example, proposals to fund so-called 'lumpy' items through a Child Development Grant could cost between £136.5 million and £140 million and grants for child health and safety – this covers the replacement of essential items such as washing machines, beds, cookers etc – would cost between £71.8 million and £83.1 million.

113. The Secretary of State was asked his views on these proposals. He commented that he had reservations about providing grants for specific items as it would lead to a “rule-governed approach” that could prove to be very rigid and would lead to “considerable extra cost”.¹¹⁴

114. The Committee reiterates the recommendation from our predecessor's Report on the Social Fund and urges the Department to overhaul the Fund. **The Committee recommends that the national strategy expands the role of the Social Fund to help tackle severe and persistent child poverty and considers paying child development grants at key stages during the lives of those children in severe and persistent poverty.**

Benefits and tax credits administration

115. Ensuring that low-income families receive the benefits to which they are entitled is crucial in maximising the family income. Take-up of benefits and tax credits varies considerably by benefit type and by claimant type. For example, take-up of Income Support is relatively high with between 86% and 95% of eligible people taking up their entitlement, whereas take-up of Council Tax Benefit is only in the range of 66% to 72%. Take-up for both of these means-tested benefits is highest for lone parents.¹¹⁵ Take-up is probably lowest for Disability Living Allowance which is in the region of 40% to 60%.¹¹⁶

116. Maximising take-up of the new tax credits is crucial to their success and to the child poverty target.¹¹⁷ CPAG pointed out that although statements from the Inland Revenue and Treasury claim high take-up figures of around 95%, this may not be entirely accurate as it is based on the expected number of those claiming rather than the actual number of families entitled.¹¹⁸ This was reflected in the statements of Treasury officials in oral evidence who told us that they had expected 6 million families to claim the new tax credits and that 5.9 million had done so thus far.¹¹⁹ Although it should be noted that before implementation, the Treasury expected 90% of families to

¹¹³ Ev 197, Q 74

¹¹⁴ Q 523

¹¹⁵ DWP (2004) *Income Related Benefits Estimates of Take Up in 2001/02*, DWP

¹¹⁶ Ev 122

¹¹⁷ Ev 190-191, 212

¹¹⁸ Ev 190-191

¹¹⁹ Q 306

be eligible for the new tax credits. This would suggest that more than 6 million families are eligible.

117. The introduction of the new tax credits has been marred by administrative failure resulting in families receiving incorrect payments and causing confusion, inconvenience and, in many cases, significant hardship for some of the families involved. This was particularly highlighted by Citizens Advice who told us of the many cases that they had encountered.¹²⁰ One of the biggest potential problems with tax credits administration has been overpayments. HM Treasury estimated that 750,000 families a year (12.5% of tax credit claimants) would experience increases in income leading to a decreased award.¹²¹ However, to date, the Inland Revenue have been unable to put a figure on how many people have reported such changes or have been affected by maladministration generally.¹²²

118. A Code of Practice on tax credits overpayments was published by the Inland Revenue in November 2003 – seven months after the introduction of the new tax credits.¹²³ The guidance states that where a change of circumstance is reported within the year, the payment will normally be reduced so that the right amount is paid over the year or payments may cease completely if the full entitlement has already been paid. Additional ‘top-up’ payments may be requested to avoid hardship, although this will result in an overpayment remaining at the year end. At the end of the year, overpayments will be recovered from the following year’s award with limits set on the maximum recovery rate so that those receiving the maximum Child Tax Credit will have no more than 10% deducted. The guidance states that overpayments will not be recovered if it was due to official error and it was reasonable for the claimant to think the award was right; and that some or all of the overpayment may not be recovered if this would cause hardship.

119. The Committee remains concerned that we do not know how many people have reported changes in circumstances within the year. This means that we do not know how many families are likely to find they have been overpaid at the end of the tax year.

120. 2004-05 will see new challenges. Many Income Support and income-based Jobseekers Allowance claimants are to be transferred to CTC for the first time from October 2004.¹²⁴ ‘End-of-year reconciliations’ are to be conducted to determine whether the correct award was made for 2003-04. The scale of any potential problem resulting from overpayment will not, therefore, be clear for some months. The Committee welcomes the undertaking given by the Secretary of State to clearly examine the situation when the data was available so that people are not landed in severe hardship.¹²⁵

¹²⁰ Ev 190, 196, Qq 47-52

¹²¹ HM Treasury and Inland Revenue (2002), *The Child and Working Tax Credits. The Modernisation of Britain’s Tax and Benefit System. Number Ten.*

¹²² Qq 306-310

¹²³ Inland Revenue, Code of Practice COP26, *What happens if we have paid you too much tax credit?* www.inlandrevenue.gov.uk

¹²⁴ HOC Hansard, 11 March 2004, col 1645W

¹²⁵ Q 467

121. It is vital that procedures for conducting end-of-year reconciliation and transferring new claimants to CTC run efficiently; that award letters explain clearly how the tax credit or credits in question have been calculated; that families are protected from hardship; and are able to get reliable information and advice from the Tax Credit Helpline. At the very least, robust procedures must be in place to ensure that overpayments which occurred as a result of official error are not recovered inappropriately. Overpayments should not be recovered where to do so would cause hardship or damage work incentives. The Inland Revenue should also evaluate whether additional ‘top up’ payments are an adequate mechanism for avoiding hardship when awards are adjusted within year. There should also be a right to an appeal against decisions to recover overpayments, and a proper appeals mechanism to consider such appeals. **The Committee recommends that the Government ensures that tax credits administration and policies and procedures on overpayments support the objectives of tackling child poverty and making work pay.**

Child Trust Fund

122. The Child Trust Fund is a new development in the ‘asset-based welfare’ strand of policy. All children born after September 2002 will receive an endowment which will be invested and which the child can access at the age of 18. Possible further endowments will be paid at certain ages and children in low-income families will receive higher payments. The Child Trust Fund is sometimes mentioned as part of the anti-poverty strategy, in spite of the long-term nature of the initiative yet, as NCH states, “...it is worth noting that the benefits will not come to fruition until around the Government’s target date to eradicate child poverty.”¹²⁶ CPAG argues that the introduction of the Child Trust Fund is less of a priority than, for example, reform of the Social Fund. **The Committee recommends that the Government attaches a greater degree of priority to developing the role of the Social Fund than it does to the Child Trust Fund between now and 2010.**

¹²⁶ Ev 77

7 The Government's anti-poverty strategy

123. In the Pre-Budget Report (PBR) it was stated that,

“The Government’s strategy for tackling child poverty involves ensuring decent family incomes, with work for those who can and support for those who cannot, and providing support for parents, It also involves delivering high quality public services and harnessing the power and expertise of the voluntary and community sectors.”¹²⁷

124. Within these strands, a wide range of initiatives can be said to form part of the anti-poverty strategy. On raising family incomes, the flagship policy is the new tax credits, introduced in April 2003, which created a portable system of financial support for families with children. Combined with Child Benefit which, as the Department points out, is now 25% higher in real terms for the first child than it was in 1997, financial support for the first child in a family is now up to £54.10 per week compared with £27.70 in April 1997.¹²⁸ Children’s allowances in Income Support and other income-related benefits have almost doubled in real terms and there has been a significant increase in the Sure Start Maternity Grant. The introduction of the Working Tax Credit, including the childcare element, forms a key part of the ‘making work pay’ agenda as do other measures such as the National Minimum Wage. According to the 2004 Budget report, between 1997 and 2004-05, financial support for children will have increased by 72% or £10.4 billion in real terms. Financial support for families with children will be covered in more detail in section 10.

125. For those who are able to work, employment is clearly the best route out of poverty. This is illustrated in the HBAI figures which show that four out of five (79%) children in workless households, more than three in ten (32%) children in households with at least one working adult and just over one in ten (11%) children in households where all adults are working were in poverty. Research on severe and persistent poverty reinforces this picture, showing that children in workless households accounted for more than four out of five (82%) children in severe poverty. The research also showed that more than nine in ten (94%) children who were not in poverty had at least one full-time worker in the house.¹²⁹

126. A wide range of employment initiatives forms the basis of the work element of the anti-poverty strategy. These are led by the New Deal schemes but also include initiatives such as the Pathways to Work pilots and Employment Zones. The introduction of Jobcentre Plus in April 2002 has played a key role, bringing together support for all working age people, providing a streamlined service and a work focus to the benefits system. A central part of Jobcentre Plus is delivering Work-Focused Interviews for clients and a more intensive Work-Focused interview regime is being

¹²⁷ HM Treasury, *Pre-Budget Report: December 2003*, Cm 6042, pg 96

¹²⁸ Ev 224

¹²⁹ Ev 60

implemented for lone parents and disabled people. These issues will be covered in more detail in section 8.

127. To enable parents to work, the Government has started to invest more resources into increasing the supply of childcare. In addition, Sure Start is focussed on helping parents of young children in deprived areas and provides a wide range of services, including supporting parenting skills and improving the health, education and emotional development of children. These issues will be dealt with in more detail in section 9.

Cross-Government anti-poverty strategies

128. It is important to remember that the target to eradicate child poverty is a cross-Government objective. The target is jointly led by the Treasury and DWP but arguably, most Departments have a role to play. In 1997, the Government established the Social Exclusion Unit to help improve Government action to reduce social exclusion by working across Government Departments on specific issues, such as teenage pregnancy, truancy and rough sleeping. In addition, the Neighbourhood Renewal Unit is responsible for delivering the National Strategy Action Plan which aims to deliver economic prosperity, safe communities, high quality education, decent housing and better health to the poorest parts of the country.¹³⁰ Both units are currently based in the Office of the Deputy Prime Minister. More recently, in June 2003, the post of Minister for Children, Young People and Families was created, based in DfES but bringing together a range of responsibilities from several Government Departments in order to provide better policy co-ordination.

129. The contributions of other Government Departments to the child poverty target will be returned to in section 12 which addresses the issue of mainstreaming child poverty.

Recent policy initiatives and the child poverty rate

130. The 2003 Pre-Budget Report marked the last opportunity for the Government to influence the child poverty rate via changes to the benefits and tax credits system in time for the 2004-05 target. Consequently, several significant announcements were made aimed at increasing financial support for families with children and at enhancing employment opportunities for parents.

The Pre-Budget Report and employment opportunities for parents

131. The PBR restates the Government's goal of "...employment opportunity for all – the modern definition of full employment" and reiterates the Government's view that "employment is the best means of avoiding poverty during working life..."¹³¹ To this end, further reforms were announced with the aim of removing the barriers to work that constrain many people. Many of the reforms were aimed specifically at lone

¹³⁰ www.neighbourhood.gov.uk

¹³¹ HM Treasury, *Pre-Budget Report: December 2003*, Cm 6042, pg 77

parents and are outlined in section 8. In addition to these substantial reforms, the PBR reiterated previous commitments to increase the support available for partners of unemployed people, and expanded upon them. The Report states:

“Despite reductions in the number of workless people, there are still 4.3 million people of working age and almost 1.8 million children living in workless households. Extending support to every adult in a household who is without work, and not just to the main claimant, is necessary to meet the Government’s goals of extending employment opportunity for all and tackling child poverty.”¹³²

132. The New Deal for Partners (NDP) forms the basis of such support and has been in operation since April 1999. NDP is a voluntary programme providing employment and training help for partners of claimants of JSA, Income Support, Carer’s Allowance and Incapacity Benefit. As with some of the other New Deal programmes, NDP suffers from low participation rates, but the evaluation showed that more than half of participants do receive positive outcomes.¹³³ The PBR and Budget 2004 outlined enhancements to NDP including, from April 2004, compulsory Work-Focused Interviews and participants will have the same package of support as is currently available to lone parents. From October 2004, eligibility for NDP will be extended to partners of WTC claimants; an enhanced Job Grant will be available; and, in six pilot areas, the £20 worksearch premium will be available to families on WTC where a non-working partner agrees to join NDP and actively seek work.

The Pre-Budget Report and financial support for families

133. The Pre-Budget Report (PBR) announced that the child element of Child Tax Credit (CTC) will be increased from April 2004 by £3.50 per week, or £180 per year, benefitting 7.2 million children in 3.7 million families. The Report states:

“As a result of this new investment, the Government is on track to meet or exceed its PSA target to reduce by a quarter the number of children in low-income households by 2004-05 on a BHC basis, comparable to the European child poverty indicator. The target is more challenging on an AHC basis...Analysis by the Institute for Fiscal Studies suggests that this increase will enable the Government to make substantial progress on an AHC basis.”

134. Alongside the increase in the child element of CTC, the PBR confirmed that the various thresholds in CTC and Working Tax Credit (WTC), and the family element of CTC (currently worth £545 per year) would all be fixed at their April 2003 levels. In oral evidence, Mike Brewer of the IFS told us that this would effectively save the Government £240 million and dilute the impact of the increase in the child element of CTC.¹³⁴ In subsequent written evidence, he informed us that this saving had already been allowed for in the spending forecasts of the previous Budget and that, compared to an indexed base, the effect of the changes to tax credits from April 2004 is to

¹³² HM Treasury, *Pre-Budget Report: December 2003*, Cm 6042, pg 84

¹³³ Griffiths R and Thomas A (2001) *New Deal for Partners of Unemployed People: Case studies on delivery Phase 1*, Employment Service Research Report ESR 77

¹³⁴ Q 245

redistribute money from 2.9 million middle and high income families with children to those at the lower end of the income scale.¹³⁵

135. IFS now estimates that the CTC reforms will lift 160,000 children out of poverty when measured after housing costs and 210,000 when measured before housing costs, at a total cost of £885 million. This means that in 2004/05, IFS calculates that the child poverty rate will be 3.1million AHC and 2.0million BHC, leading IFS to conclude that

“...the Government should comfortably meet its target measuring incomes BHC, and is on course to just hit its target measuring incomes AHC.”¹³⁶

136. **The Committee warmly welcomes the additional financial resources allocated in the 2003 PBR to families with children via the child element of Child Tax Credit which, we recognise, should ensure that the 2004-05 target will be met.** We hope that this signals the Government’s willingness to provide the substantial investment that will be required to meet the 2010 target.

The effect of policy initiatives on the child poverty rate

137. Changes in the extent of child poverty are the result of the interplay of many factors. Among the most important are:

- Changes in population structure – the number of children and the extent to which they live in two – and one-parent families;
- Changes in employment and earnings – the extent of unemployment and worklessness in families with children and the extent of very low earnings;
- Changes in benefits, taxes and, more recently, tax credits for families with children.

138. Estimates have been made by Sutherland, Sefton and Piachaud of the effect of such changes.¹³⁷ Between 1996/7 and 2000/1 changes in population structure, or the family composition of children, had a very small effect on child poverty. Over the same period, the proportion of children in unemployed households almost halved and the effect of this and other employment changes was to reduce child poverty by some 2.5% (2.3% before housing costs, 2.9% after housing costs).¹³⁸ Thus, over the four years up to 2000/1 employment changes accounted for the bulk of the reduction in child poverty. Benefit and tax changes on balance benefited families with children but for some of the poorest families on Income Support the rise in benefits did not keep pace with the rise in median incomes.

139. There have not yet been more up to date analyses of actual changes in poverty. What can be estimated by micro-simulation is the effect of the policy changes that have been introduced. This is done by Sutherland *et al* converting policies in each year to a constant price basis and assuming that incomes are constant; the only change made in

¹³⁵ Ev 119 (vol III)

¹³⁶ Ev 119 (vol III)

¹³⁷ Sutherland H, Sefton T and Piachaud D (2003) *Poverty in Britain: The impact of government policy since 1997*, York:JRF

¹³⁸ Sutherland et al (2003) table 6

the poverty line for this exercise is that resulting from the policy changes.¹³⁹ On this basis, the reduction in the number of children in poverty between 1997 and 2003/4 as a result of changes in tax and benefit policies is estimated to be:

Proportion	BHC	AHC
Change in proportion of children in poverty	26% → 15%	34% → 24%
Change in number in poverty ('000)	3,300 → 1,960	4,420 → 3,080

140. Thus, according to Sutherland *et al* the policy changes have reduced the number of children in poverty by about 1.3 million. How far child poverty actually falls depends on many other changes in population structure and in employment and earnings. Crucial to changes in poverty is the effect of rising incomes on median incomes, and consequently on the poverty line. It remains to be seen how far changes in child poverty will have been the result of policy changes and how far the product of other changes.

¹³⁹ Sutherland et al (2003)

8 The Government's employment strategy

141. Recognising the crucial importance of parental employment to the child poverty target, and reinforcing the principle of work as the best form of welfare, the Government has set a range of PSA targets aimed at increasing the employment rate of a range of groups that are currently under-represented in the labour market, including lone parents, disabled people and minority ethnic groups.

Lone parents

The lone parent employment target

142. Research suggests that most lone parents want to be in employment¹⁴⁰ and the Government is keen to increase their employment rate as a step towards reaching the child poverty target. In 2000, the Government set a target to get 70% of lone parents into employment by 2010 and later established a PSA target to increase the employment rate of lone parents and to reduce the difference between their employment rate and the overall employment rate by 2006.

143. Less than half (45.6%) of lone parents were in employment in 1997. By Spring 2001 this increased to 51.7%. In Spring 2003, the baseline year for the PSA target, the lone parent employment rate was 53.4%.¹⁴¹ According to the Department's Autumn Performance Report, the upward trend is expected to continue over the next three years suggesting the Department is on track to meet the PSA target. However, the report goes on to admit that:

“these projections and the Spring 2003 LFS figures suggest an increasing risk for both the 2010 target of 70% employment for lone parents and PSA 5 (children in workless households).”¹⁴²

144. In oral evidence, the Secretary of State reiterated the admission that the lone parent employment target was “challenging:”

“If you just stand back and look at the headline arithmetic, we have made seven or eight percentage points progress in...the last six years and there are six or seven years to go and there are 16 percentage points of progress yet to be made, so you can see how challenging it is.”¹⁴³

¹⁴⁰ Finlayson L and Marsh A (1998) *Lone Parents on the Margins of Work*, DWP Research Report No 80, Norwich: The Stationary Office; Thomas A and Griffiths G (2004) *Integrated Findings from the Evaluation of the First 18 Months of Lone Parent Work-Focussed Interviews*, DWP Research Report 184, Sheffield: DWP

¹⁴¹ The rate fell 0.2 percentage points between Spring 2002 and 2003, although the Department's Annual Report (2003) states that this “is not inconsistent with the strong upward trend over the past decade.”

¹⁴² DWP, *DWP Autumn Performance Report 2003: Progress against Public Service Agreement targets*, Cm 6044

¹⁴³ Q 450

145. He went on to point out that measures recently introduced, such as the new tax credits and the extension of the Work-Focussed Interview regime will not yet be reflected in the statistics and that further progress on the target is being made.

146. The 70% target is comparable to the employment rate of mothers in couples – 71% in Spring 2003 – and is similar to the lone parent employment rates in other countries.¹⁴⁴ Research by Holly Sutherland shows that if lone parents whose youngest child is aged three or over, excluding those in receipt of a disability benefit for themselves or a child, move into employment, the 70% target is only just met.¹⁴⁵ Other research, which analysed the trends in employment between 1992 and 2000 suggests that, if these trends were ran forward, 62% of lone parents would be in employment by 2010 and 70% by 2015.¹⁴⁶

Lone parent employment initiatives

147. The New Deal for Lone Parents (NDLP) forms the basis of the welfare to work strategy for lone parents. It is a voluntary programme providing a package of support, advice and information delivered by Personal Advisers. Participation in NDLP doubles the employment chances of lone parents¹⁴⁷ and since October 1998, 51% of all leavers from the programme have left Income Support and entered work of at least 16 hours per week.¹⁴⁸ However, only around one in ten lone parents on Income Support participated in NDLP, suggesting that between 1% and 2% of lone parents leave benefits every six months because of the programme.¹⁴⁹

148. To encourage lone parents to participate in NDLP and to increase the lone parent employment rate, mandatory Work-Focussed Interviews (WFIs) were introduced nationally in April 2001 for lone parents making a new or repeat Income Support claim and whose youngest child was aged over five years. Since then, mandatory WFIs have been extended to more lone parents on a phased basis and from April 2004 they will be extended to those with children under five years old. Recently published findings from the WFIs evaluation showed that they significantly increased entry onto NDLP and had a small positive impact on the rate at which existing claimants, especially those with older children, moved off Income Support.¹⁵⁰ The evaluation showed that Personal Advisers (PAs) were able to make the most impact in helping lone parents overcome fears that they would be worse off in work. It also found that increased workload pressures on PAs led to increasing concentration on ‘job-ready’ lone parents rather than those needing more intense support.

¹⁴⁴ Ev 209. Although it should also be noted that a substantial number of mothers in other countries are on extended maternity or parental leave

¹⁴⁵ Millar J and Berthould R in Thurley D (ed) 2003) *Working to Target: Can policies deliver paid work for seven in ten lone parents?* London: One Parent Families

¹⁴⁶ Berthould R in, Thurley D (ed) 2003) *Working to Target: Can policies deliver paid work for seven in ten lone parents?*

¹⁴⁷ HM Treasury (2003) *Pre-Budget Report*

¹⁴⁸ Evans M in Millar J and Evans M (eds) (2003) *Lone Parent and Employment: International comparisons of what works*, DWP Research Report 181, Sheffield: DWP

¹⁴⁹ Ev 209

¹⁵⁰ Thomas A and Griffiths G (2004) *Integrated Findings from the Evaluation of the First 18 Months of Lone Parent Work-Focussed Interviews*, DWP Research Report 184, Sheffield: DWP

149. Further initiatives to help lone parents move into work have been the subject of recent Budget and Pre-Budget Report announcements. These included:

- from October 2005, Work-Focussed Interviews every three months for lone parents on Income Support whose youngest child is aged 14 or over;
- from October 2004, a compulsory action plan to be completed at Work-Focussed Interviews;
- from April 2005, paying the registered childcare costs for those moving into employment via NDLP in the week before they start work;
- from October 2004, a £40 per week In-Work Credit for lone parents who have been on Income Support for at least a year, to be piloted in twelve areas (four in London);
- from April 2005, extending In-Work Credit to all lone parents in London who have been on Income Support for a year or more;
- from October 2004, a new £20 Work Search Premium to be paid on top of benefit entitlements in eight of the In-Work Credit pilot areas and free registered childcare for those receiving the Premium;
- from April 2004, childcare tasters to be piloted in six cities;
- from October 2004, new measures including access to NVQ level 3 training in childcare and in areas where local employers identify a demand for skills; and enhanced support for the first two months in work;
- from April 2004, an increased Housing Benefit disregard for lone parents in employment for 16-30 hours per week;
- A New Deal for Skills, to include improved information, advice and guidance and the development a 'skills passport' to help the move to sustainable employment.

150. It is therefore evident that the Government is putting a lot of energy and resources into helping lone parents into employment in the run up to 2010. It remains to be seen whether or not this will be enough to ensure that the 70% lone parent employment target is met. In addition, until further childcare is available the lone parent employment target remains in jeopardy. The organisation One Parent Families warns that:

“...we should not approach 2010 and find that we are short of the employment target and that because important investments have not taken place, the perception hardens that we need to resort to greater benefit conditionality...”¹⁵¹

151. When asked whether the Department might consider such a move, the Secretary of State pointed out that compulsion already exists in the system in the shape of compulsory Work-Focussed Interviews. He did not, however, rule out further conditionality.

152. The Committee applauds the innovation and effort that the Department is putting into helping lone parents move into paid work. However we also reiterate the objections made in our Employment Strategy Report¹⁵² to the principle of time-limiting benefits and requiring lone parents to be in paid work as a condition of receiving benefit.

Disabled parents

Child poverty and the disability employment target

153. Children are much more likely to be in poverty if they live in a household containing a disabled adult (or a disabled child) and families headed by a disabled adult are much more likely to be workless. There are currently 2.1 million parents with disabilities, half of whom are workless.¹⁵³ There are currently 968,000 children living in families where a parent is in receipt of Incapacity Benefit, Severe Disablement Allowance or Income Support with a disability premium.¹⁵⁴ Disabled parents have an employment rate of 52% compared with 77% for non-disabled parents and disabled lone parents have an employment rate of 30%.¹⁵⁵

154. The *Families and Children Study (FACS)* found that rates of work-limiting long-standing illness or disability were highest among those not in work. One in four lone parents not in work had a limiting long-standing illness or disability compared to 8% of those working 16 or more hours. Similarly, mothers in couples where neither partner was in work of 16 hours or more were six times more likely to have a limiting long-standing illness or disability than those living in couples where both worked at least 16 hours (31% compared with 6%). Almost two-thirds (65%) of lone parents and over half (56%) of mothers in couples with a long-standing illness or disability said it affected or would affect the kind of work they could do or the place where they could do it. It also affected the amount of work they could do for 58% of those lone parents and 44% of the mothers in couples.¹⁵⁶ Research conducted by Professor Richard Berthoud found that disability has a negative influence on a movement into work. Fathers in couples with a limiting health problem were only 40% as likely to move into work as those without a health problem. Mothers in couples with a health problem were a third as likely to move into work as mothers without such problems.¹⁵⁷

155. Progress on the Government's 2003 PSA target to increase the employment rate of people with disabilities and significantly reduce the difference between their employment rate and the overall rate by 2006 has not yet been assessed, but indications are that progress has been slow. In oral evidence, the Secretary of State said that he believed the target would be met.¹⁵⁸

¹⁵² Work and Pensions Committee, *The Government's Employment Strategy*, Third Report of Session 2001-02, HC 815

¹⁵³ ONS, Labour Force Survey, Spring 2003

¹⁵⁴ DWP (2004) *Quarterly Bulletin on Families with Children on Key Benefits*, November 2003

¹⁵⁵ Labour Force Survey, Spring 2003

¹⁵⁶ Barnes M *et al* (2004) *Families and Children in Britain: Findings from the 2002 Families and Children Study (FACS)*

¹⁵⁷ Berthoud R and Iacovou M (2000) *Parents and Employment*, DWP Research Report 107

¹⁵⁸ Q 485

156. Employment initiatives for disabled people include Work-Focussed Interviews, the New Deal for Disabled People, Access to Work and the *Pathways to Work* pilots that began in October 2003, reaching 9% of the inflow onto Incapacity Benefit. Under the *Pathways to Work* pilots, most new Incapacity Benefit claimants attend a series of five further monthly WFIs. Those moving into work of 16 hours or more would be eligible for an additional £40 per week for the first year of work. Budget 2004 extended the requirement to attend three further WFIs to some existing Incapacity Benefits claimants plus a £20 a week job preparation premium for up to 26 weeks for those following an agreed action plan. In addition, the disability element of the Working Tax Credit is designed to act as a work incentive. However, there are no specific programmes or incentives that target disabled parents and there is no recognition of the parenting role in the existing programmes for disabled people. Gabrielle Preston of Disability Alliance outlined some of the difficulties faced by disabled parents:

“Disabled parents experience the same kind of disadvantages that disabled people generally experience with barriers to employment and discrimination. However, they have the additional problems that they have parental responsibilities and that has an impact on a disabled parent’s health and ability to seek out employment. There is also the childcare issue for them. They may have problems transporting their children and with transport in general. In some ways disabled parents face the same issues as families with disabled children. They need an adequate income to ensure that their health is not adversely affected by the additional caring and responsibilities of becoming a parent. Disabled parents report that becoming a parent tends to compound underlying health problems or a disability, and has an impact on their ability to access employment and their energy levels. Parents who are disabled when they have children need additional support to help them fulfil their parental responsibilities alongside managing their disability. The majority of parents however become disabled when their children become older. These parents will benefit from the Government initiatives to reduce the barriers to employment, and strategies to help them retain their jobs.”¹⁵⁹

157. In oral evidence, the Secretary of State referred to the employment programmes, together with measures being taken to promote the equality of opportunity for disabled people and commented that, “As parents, they will of course benefit from the general measures to help disabled people into work.”¹⁶⁰

158. The Committee believes that disabled parents require increased support to help them into work. We welcome the Budget 2004 announcement of a job preparation pilot, giving incapacity benefits claimants an additional £20 per week but this does not go far enough. **We reiterate the recommendation in our Employment For All Report that the Return to Work Credit is welcome but does not need piloting and should be extended nationally as soon as possible. We also recommend that, while undertaking worksearch activities, disabled parents receive free registered childcare in the same way as lone parents; and where a person has found a job through New**

¹⁵⁹ Q117

¹⁶⁰ Q 483

Deal for Disabled People, we recommend that free childcare is paid for up to one week before they begin work.

Minority ethnic groups

159. Minority ethnic children are more likely to be living in poverty and the rates of poverty differ between different ethnic groups (see section 3). Evidence suggests that minority ethnic groups are more likely to have certain characteristics that put children at more risk of poverty; for example, some minority ethnic groups are more likely to contain large families whereas other groups have a high incidence of lone parenthood.¹⁶¹ As with the children of lone parents and of disabled people, minority ethnic children are particularly affected by living in workless households. Unemployment rates are particularly high for the Caribbean, black African, Bangladeshi and Pakistani ethnic groups and are also above average for those of Indian origin.¹⁶²

160. In spite of a PSA target to reduce the employment differential between the overall employment rate and that for minority ethnic groups, the gap has remained at around 16% since the target was introduced in 1998. The current employment rate for minority ethnic groups is 58.3% (compared with 75% overall) and the Department admits there has been some slippage in progress.¹⁶³

161. Explanations for the low employment rates and the difficulty in raising them vary although, in oral evidence, both the Secretary of State and Dr Lucinda Platt – an expert on minority ethnic poverty – said that education and skills under-attainment and prejudice and discrimination in education and the workplace accounted for much of the disadvantage. Other issues included occupational segregation, high levels of ill health, language issues and the limited effectiveness of employment programmes.¹⁶⁴ A recent report on minority ethnic children and poverty added to the debate by pointing to the statistics showing that, in 2001, while 69% of white children continued in full-time education after the age of 16, this compares with 77% of Pakistani children, 79% of Bangladeshi children, 82% of black children and 91% of children from Indian families. Combined with the higher than average achievement of Indian pupils, the authors suggest that – unlike low income families – high poverty rates in some minority ethnic families are accompanied by high expectations.¹⁶⁵ However, Dr Lucinda Platt suggested that the extended period spent in education by young adults in minority ethnic groups might be due to ‘catching up’ for qualifications not gained in school, possibly due to failures in schooling, or the opportunity to gain more qualifications to compensate for a discriminatory labour market.¹⁶⁶

¹⁶¹ Qq 99-101

¹⁶² Ev 232

¹⁶³ DWP, *Autumn Performance Report 2003* Cm 6044, December 2003

¹⁶⁴ Qq 102-110, 487, Ev 232

¹⁶⁵ Marsh A and Perry J in Kober C (ed) (2003) *Black and Minority Ethnic Children and Poverty*, London: End Child Poverty

¹⁶⁶ Ev 233

162. Minority ethnic groups are over-represented in the three main New Deal programmes (20% of New Deal for Young People participants, 14% of New Deal for 25+ and 11% of New Deal for Lone Parents are minority ethnic people, compared with 8.2% of the working age population). However, minority ethnic groups are also less likely to enter work after participating in the New Deal. For example, only 39.6% of minority ethnic groups participating in NDLP move into work compared with 52.% of white participants.¹⁶⁷

163. The Secretary of State also told us:

“...of our various initiatives, the one which does best in terms of parity of outcomes for ethnic minorities, not only movement into jobs, but actually better than parity on sustainability of jobs is the Employment Zone approach. When I have looked into the reasons why this is, it appears to be that they are better connected with the network of local employers in the areas they service, their own staff are more representative of the ethnic mix of employers in the areas they serve and they are helping a bigger proportion of their clients into small businesses which of course are the big job generators...”¹⁶⁸

164. The Strategy Unit, based in the Cabinet Office, published a report in 2003 on employment and minority ethnic groups resulting in a Taskforce being established to take forward recommendations and monitor progress.¹⁶⁹ Recommended policy initiatives focus on four areas: improving employability; improving the connection of minority ethnic groups with work; promoting equal opportunities; and reforming Government structures. In particular, the report recommends that employment programmes undertake more efficient outreach with minority ethnic groups and, as reflected in the comments of the Secretary of State, ‘borrow’ from the successful parts of the Employment Zone approach and apply them to the New Deals. In addition, the Department has set up an Ethnic Minority Employment Unit who will be working with Jobcentre Plus to improve their service delivery to minority ethnic communities. Budget 2004 announced a ‘fair cities’ initiative in three areas. This will involved employer-led partnerships in designing initiatives to improve employment outcomes, retention and advancement for local minority ethnic communities.

165. The Committee is deeply concerned that performance in relation to the PSA target on increasing the employment rate of minority ethnic groups remains static after six years. Progress on this target is imperative if the child poverty targets are to be met. A continued high minority ethnic workless rate would have unacceptable implications. **The Committee recommends that the Chancellor’s New Deal for Skills, announced in the Budget, should initially be targetted on those areas with a high proportion of minority ethnic groups. We also recommend that active consideration be given to extending Employment Zones to cover more areas with large minority ethnic**

¹⁶⁷ Evans M et al (2003) *New Deal for Lone Parents: Second Synthesis Report of the National Evaluation*, Research Report No 163

¹⁶⁸ Q 487

¹⁶⁹ *Ethnic Minorities and the Labour Market*, Cabinet Office, March 2003

communities. The Committee will also return to some of these issues in our inquiry into service delivery by DWP to minority ethnic groups and refugees.

9 Childcare and life chances

166. Childcare is crucially important to the child poverty target as it frees up parents, particularly lone parents, to enable them to take up employment, training or education opportunities. This issue was explored by the Committee last year and it is worth revisiting some of the issues and reviewing progress made since we published our Report in July 2003.¹⁷⁰ Evidence received during this inquiry overwhelmingly pointed to the importance of childcare in improving the employment chances of parents and consequently helping to raise the income of poor families to acceptable standards.¹⁷¹ Yet, in spite of large increases in the overall childcare budget, the largest proportion has been allocated to the provision of part-time early years nursery education for three and four year olds.

167. It should be pointed out that childcare in Scotland, Wales and Northern Ireland is primarily the responsibility of the devolved administrations; consequently this section primarily refers to childcare in England. However, the Childcare Tax Credit does cross the national boundaries and therefore comments on this issue apply to the UK as a whole.

Childcare, the Pre-Budget Report and the Budget

168. The Committee's childcare Report concluded that, in spite of the National Childcare Strategy in England and increases arising from the 2002 Spending Review, the childcare budget was not sufficient to enable either the lone parent employment target or the child poverty target to be met. The Report recommended rolling out Children's Centres beyond the planned 20% most deprived wards to the 30% most deprived wards and urged the Government to make a long-term commitment to establishing Children's Centres in all areas.

169. Following the Committee's Report, the 2003 Pre-Budget Report (PBR) and Budget 2004 marked a significant step forward for childcare provision, as significant promises were made. According to the PBR, and the Budget Report, the Government is on track to meet the target of childcare places for 1.6 million children by 2004 and over 2 million children by 2006, although this assertion appears to be thrown into question by the recent publication of a report by the National Audit Office (NAO) which suggests that since the launch of the National Childcare Strategy to Spring 2003, 626,000 childcare places have been created but 301,000 places have closed. The report also claims that the new provision is also under threat due to lack of funding continuity once their start-up funding ends.¹⁷² This is of great concern to the Committee. **We recommend that the national strategy on child poverty should aim for continuity of revenue funding for childcare.**

¹⁷⁰ Work and Pensions Committee, Fifth Report of Session 2002-03 *Childcare for Working Parents*, HC 1184

¹⁷¹ Ev 79, 93, 115, 139, 256

¹⁷² National Audit Office, *Early Years: Progress in developing high quality childcare and early education accessible to all*, Session 2003-04: 27 Feb 2004, HC 268

Children's Centres

170. The PBR contained a welcome commitment to create 1,000 Children's Centres within five years, with a long-term goal of a Children's Centre in every community. Budget 2004 took this further and announced a settlement for Sure Start, early years and childcare of £669 million additional funding by 2007-08, compared with 2004-05. According to the Budget Report:

“This will establish Children's Centres in all of the 20% most disadvantaged wards in England by 2007-08, making Sure Start type services available to the 56% of poor children who live in these disadvantaged areas. This will mean 1,700 Children's Centres by March 2008, providing services and linked childcare places, another significant step towards the Government's goal of a Children's Centre for every community. The settlement will also support 100,000 new childcare places, including in extended schools, and a pilot to extend a free part-time early education place to 6,000 two-year olds in disadvantaged areas.”¹⁷³

171. As yet, little detail is available on how the roll-out of Children's Centres within the 1,700 areas will take place, or whether the longer-term funding will be available. In oral evidence, the Minister for Children told us that, for universal roll-out, the main constraints were expanding the childcare workforce and resources which, as the Minister pointed out, are dependent on the priority the Government gives to Children's Centres.¹⁷⁴

172. By February 2004, 67 Children's Centres had been designated.¹⁷⁵ Local authorities have strategic responsibility for Children's Centres and are responsible for their planning and development. The NAO's report on childcare recommended that local authorities should have greater co-ordination and planning powers on childcare provision.¹⁷⁶ The Committee made a similar recommendation in the childcare Report and we therefore believe that the DfES have taken the right approach with Children's Centres.

173. According to the Daycare Trust, a Children's Centre in every area would cost an additional £1 billion plus £2.5 billion revenue expenditure.¹⁷⁷ More recently, research suggests that universal childcare in the form of 10,000 Children's Centres would cost a total of £10 billion per year. This includes the £3 billion already spent on childcare by parents and means that Government would need to double the £3.5 billion already allocated to childcare.¹⁷⁸ This appears to be a large financial obligation, but, to show what the Treasury can achieve, the introduction of the new tax credits cost the Treasury an additional £2.7 billion, and the last Spending Review in 2002 allocated an additional £14.7 billion to the education budget.

¹⁷³HM Treasury, *Budget 2004* HC 301, March 2004

¹⁷⁴ Qq 399-401

¹⁷⁵ HC Deb, 23 March 2004. col 678w

¹⁷⁶ National Audit Office, *Early Years: Progress in developing high quality childcare and early education accessible to all*, Session 2003-04: 27 Feb 2004, HC 268

¹⁷⁷ Work and Pensions Committee, *Childcare for Working Parents*, Para 67

¹⁷⁸ 4Kids (2004) *Creating Opportunities, Building Futures*

174. The announcement made in Budget 2004 to provide Children's Centres in all of the 1,700 most disadvantaged wards is welcomed by the Committee, but we still believe that further extension is necessary to reach the children in poverty who are not living in the 20% most disadvantaged areas. **The Committee recommends that the roll out of Children's Centres should be extended to reach beyond the 20% most disadvantaged areas of high deprivation outside the 20% most disadvantaged areas.**

Universal or targeted childcare provision?

175. In referring to Children's Centres potentially providing a universal childcare service, the Minister for Children stated:

“...there is one universal service that we have achieved for every child and that is the roll-out of nursery education, so that every three and four year old by April this year will access free nursery education...”¹⁷⁹

176. The Minister went on to say that while targetting the most deprived children must be the first priority, a range of options is being examined which recognise the need for universal early years provision whatever the background of the child and which might be at least part-funded by parents:

“We are examining a whole range of options...things like how we can make better use of our school infrastructure which all too often is wasted, with schools closed for much of the year and much of the day, how we can expand the free offer that is universal for three and hours year olds of 2.5 hours a day, to provide something which may have some charging in it for better-off families but which actually responds to the needs of particular working mothers.”¹⁸⁰

177. The Committee believes that universal childcare is what the UK should be aiming for and that, welcome as the nursery education place for all three and four year olds is, it does not constitute a universal service. The limited hours and restriction to school term only are unhelpful for parents who want to work. As we said in our Childcare Report, we recognise that finite resources necessitate targetting; however, universal childcare is a goal that can be achieved, as demonstrated in countries such as Sweden and Denmark.

The childcare workforce

178. According to the Inter-Departmental Childcare Review, the childcare workforce needs to expand by 8% every year to meet the Government targets on childcare growth by 2006.¹⁸¹ The Committee's Report on childcare examined issues around the childcare workforce, including problems of low pay, leading to recruitment and retention problems, and workforce expansion. The Report urged the Government to work with childcare providers to establish how pay levels could be improved without passing unreasonable costs to parents; to widen their information and recruitment

¹⁷⁹ Q 402

¹⁸⁰ Q 402

¹⁸¹ Cabinet Office (2002) *Inter-Departmental Childcare Review – November 2002: Delivering for Children and Families*

campaign; and to extend the Home Childcarers scheme to those who are not registered childminders.

179. Returning to these issues, the Committee was informed by the Minister for Children that an additional 180,000 childcare workers are needed in order to hit the Department's targets. She told us that this would be achievable through appropriate investment, close working with the Learning and Skills Council and through bringing new people into the childcare profession.¹⁸² The Committee's Report on childcare urged the Government to step up the information and recruitment campaign and to continue targeting specific groups, such as men and minority ethnic groups. **The recent NAO report recommended that more effort be put into recruiting older people into the childcare workforce. The Committee endorses this recommendation.**

The childcare element of Working Tax Credit

180. The Committee's childcare Report looked in detail at the Childcare Tax Credit (now the childcare element of Working Tax Credit) and highlighted the many problems with the credit, including take-up, eligibility, qualifying hours, the proportion of costs covered, regional disparities and the restriction to formal care. These debates will not be revisited here, but it is worth drawing attention to some of the points raised in connection with the childcare credit during this inquiry.

181. As the childcare Report recognised, help with childcare costs through the tax credit system is valuable for those parents receiving it. Currently, 300,000 families are receiving the credit¹⁸³ and, as pointed out by Treasury officials, that is more than twice as many as under the previous tax credits system.¹⁸⁴ However, this is still a very small proportion of the total number of parents and the average award is only £50 per week. The Committee questions the extent to which the childcare credit impacts upon the charging policy of childcare providers. Anecdotal evidence suggests that childcare providers in the 20% most deprived wards may be designing a charging policy around the childcare credit.¹⁸⁵ The Committee is concerned that little is known about how many parents living in the 20% most deprived wards are actually claiming help with childcare costs through tax credits.¹⁸⁶ While recognising that the childcare credit is important for parents not living in the 20% most disadvantaged areas, this does raise the question of whether helping parents with childcare costs through the tax credit system is the most beneficial way of providing financial support for childcare in the most deprived areas.

¹⁸² Qq 401, 412

¹⁸³ Inland Revenue (2004) *Child and Working Tax Credits, Quarterly Statistics, January 2004*, London: National Statistics

¹⁸⁴ Q 345

¹⁸⁵ Q 348

¹⁸⁶ Qq 348-9, 416

Childcare – the way forward?

182. The main extra resources that have gone into the childcare strategy so far have been in the form of funding for nursery classes in primary schools. It is arguable that this, mainly part-time, term-time, provision is not the most effective way of enabling parents, especially lone parents, to obtain access to employment. Working Tax Credit only covers a maximum of 70% of the costs of childcare up to a ceiling. The package of funding available for childcare also calls for extremely complicated partnership working to be put together at a local level, with funding coming from a variety of national and local programmes. Childcare in the UK is still not universally available and is expensive and this contributes to why we still have a relatively low proportion of lone parents in employment and a relatively high proportion of children living in workless households. A second childcare review is now under way, led by the Treasury, which suggests a recognition by government that the policy mix is not yet optimal.

183. The Committee warmly welcomes the commitment to the universal roll-out of Children’s Centres and urges the Government to consult widely upon the siting of the centres, as well as on the service that each centre will provide, to ensure that early access is given to those most in need. The Committee is concerned that little detail is available on how Children’s Centres will be funded and urges the Government to set out how they aim to achieve long-term funding.

Sure Start and support for parents

184. The Minister for Children explained that parenting is so central to the child poverty agenda because,

“...we know that the one factor which can make more of a difference to a child’s outcome than any other factor – and that is whether it is a socio-economic background, whether it is the mother’s educational attainment which is often taken as a key factor, whether it is the most brilliant school or the most wonderful teacher – is the quality of the parenting in the home.”¹⁸⁷

185. The claim that the quality of parenting in the home is important for a child’s life chances is uncontroversial. What raises the quality of parenting is more so. There is a consensus that relationship breakdown, unemployment, inadequate levels of educational attainment and healthcare provision, and involvement in crime are likely to damage the quality of parenting, especially if they are repeated across generations. However, there is little agreement about the relationship between stable parenting and marriage. Some academics and commentators argue that the quality of parenting is improved if children are raised by two parents in one home, and that the chances of those parents staying together are increased if they are married. Others disagree, maintaining that the crucial factor is not marriage, but whether the parents or parent in question provides a loving and stable environment. In its 1998 publication, “Supporting families”, the Government said, in a chapter headed “Strengthening marriages”:

¹⁸⁷ Q381

“The Government believes that marriage provides a strong foundation for stable relationships. This does not mean trying to make people marry, or criticising or penalising people who choose not to. We do not believe that Government should interfere in people’s lives in that way. But we do share the belief of the majority of people that marriage provides the most reliable framework for raising children.”¹⁸⁸

186. The document went on to propose “measures to strengthen the institution of marriage. It is clearly desirable that the Government’s view on the role that marriage plays in the quality of parenting, if any, should be clear, and that relationship and parenting support programmes and initiatives undertaken by the Government, such as the National Family and Parenting Institute, Parentline, and mentoring programmes should be assessed and evaluated.

187. The Committee urges the Government to commission research into the factors contributing to stable parenting and life chances and recommends that the national strategy should consider new initiatives to strengthen family ties.

188. We welcome the Chief Executive of Sure Start, Naomi Eisenstadt's statement on 24th February 2004 at the "Relationship Education across the community to support the family" conference that preventative work to keep couples together is important for the children concerned.

189. We commend the work being undertaken by health visitors, Registrars, teachers and Community Family Trusts and recognise the importance of relationship skills and urge the government to build on and promote this important work.

190. The Minister for Children admitted that support for parenting has so far been underdeveloped. The PBR explicitly linked support for parents to the strategy for tackling child poverty and announced a new initiative establishing links with primary and nursery schools in 500 communities “to help parents give their children the very best start in life.” In oral evidence, the Treasury told us that these initiatives are being developed in conjunction with Sure Start programmes.¹⁸⁹

191. The aim of the Sure Start programme is to achieve better outcomes for children, parents and communities by: increasing the availability of childcare for all children; improving health, education and emotional development for young children; and supporting the parenting role and parents as employees. According to the DfES, Sure Start has broken new ground in making integrated advice and support available to parents, yet:

“Sure Start local programmes only offer services to 40% of poor children under 4 in the 20% most deprived wards of England. We want to extend this approach across the age range(s) building on the progress of existing initiatives.”¹⁹⁰

192. By the end of 2003 there were 524 local programmes in England – 15 based in rural areas – offering services to 40% of poor children in the 20% most deprived wards.

¹⁸⁸ Home Office, *Supporting Families: A Consultation Document* 1998 pg 30

¹⁸⁹ Q 335

¹⁹⁰ Ev 142 (vol III)

In addition, there are 45 pilot 'Mini Sure Start' programmes in rural areas and pockets of deprivation that would not normally be covered by the larger local programme model. The spending allocation on Sure Start in England between 2001-02 and 2003-04 is £1.1 billion.

193. Across the UK, Sure Start is the responsibility of the devolved administrations and consequently has developed in different directions, using different approaches, with budgets set locally. Sure Start Northern Ireland has 23 local projects and the budget for 2003-04 is £8.5 million. In Scotland, Sure Start is a national programme, funding has been allocated to all local authorities and the budget for 2003-04 is £23 million. Sure Start in Wales has a budget of £39 million for 2003-04, which is amalgamated with the Children and Youth Partnership Fund across all local authorities. Although the Minister for Children told us that her directorate had recently undertaken a study visit to Wales and had looked at Sure Start,¹⁹¹ it is not entirely clear that sufficient effort is put into learning from the different approaches in each country.

194. In England, the Sure Start Unit is also funding seven 'mainstreaming' pilots with the aim of testing how Sure Start principles can be extended beyond the one third of poor children currently reached by the local Sure Start programmes. The evaluation of the pilots is due in September 2004 and the Committee looks forward to hearing how they have progressed. We hope that, as with Children's Centres, the Government will eventually roll-out Sure Start to all areas and to all children rather than the current targeted approach which excludes so many children, many of whom are poor.

195. One of the strengths of the Sure Start Programme is that it provides support to families with children whether or not the parent(s) are in employment. Whilst there is a proven need for additional childcare to meet the needs of parents in employment, we also believe it to be essential that support should be provided to parents and children who are not in employment, as these will often include the most isolated and socially excluded. **We have been concerned at the reports of threats to services such as crèches, drop-ins and even nurseries as a result of pressures on local authority budgets, and recommend that the Sure Start Unit develops a strategy to ensure that increased provision in one sector is not undermined by the loss of services in another.**

Support for parents to stay at home

196. The Committee's childcare Report also touched upon the issue of choice for parents and whether enough was being done to assist parents who wished to remain at home and look after their children themselves. In light of the shortage of childcare provision it could be questioned whether it might be easier to enable parents to stay at home when they have very young children, rather than greatly expand childcare provision for the very young. This point was also raised by the Minister for Children.¹⁹² Currently, mothers are entitled to take up to one year of maternity leave (26 weeks of which is paid, most of it at £102.80 per week) and fathers are entitled to up to two

¹⁹¹ Q 386

¹⁹² Q 407

weeks' paternity leave (also at £102.80 per week). Parents with a child aged 5 or under may also take up to 13 weeks' unpaid parental leave, with no more than four weeks being taken in one year, and parents with a disabled child up to age 18 may take up to a total of 18 weeks. Parents also have the right to request flexible working arrangements.

197. The ability to reconcile paid work with the care of children is hugely important. However, as was pointed out in a review of family and child benefit packages in different countries, the right to time off is not adequate in itself.¹⁹³ In reference to parental leave One Parent Families stated that, "...existing unpaid provisions remain a right on paper only as most lone parents cannot afford to take unpaid time off."¹⁹⁴ The same could be said of couple families. Recent research illustrates the extent to which parents do not take leave which is unpaid. Most women (85%) were entitled to unpaid Additional Maternity Leave (AML) of 30-40 weeks, but three-quarters took less than this amount. Women who took advantage of their full entitlement to AML (or more) were strongly associated with being in a higher paid job during pregnancy. Take up of unpaid parental leave was even lower with only 8% of mothers and 10% of fathers who were entitled actually using the provision.¹⁹⁵

198. International comparisons of leave entitlements for parents illustrate how far the UK has to go. The Committee's visit to Denmark showed how successful their leave system is with 30 weeks' paid maternity leave and up to 52 weeks paid childminding leave (the benefit corresponds to 60% of the maximum amount of employment benefit, with a possible top-up paid by local authorities.) In 2001, there were around 20,000 people on childminding leave.¹⁹⁶

199. Another interesting system is in Finland, where following a paid maternity/paternity leave period of up to 44 weeks, parents are able to choose between a childcare place or an allowance for minding young children. The childminding allowance can be used for themselves or be put towards private childminding if the child is aged under three years. The allowance (at 2001 rates) was €252 per month for the first child, €84 for a second child and €50 for subsequent children.¹⁹⁷ Similar schemes exist in Norway, France and Germany.

200. In the UK, the DTI and the Treasury have been consulting on similar proposals which would entitle parents to take their full quota of parental leave at the end of the maternity/paternity period. This is a welcome development, although it is probable that the benefit for children in low-income families would be negligible, as research (cited above) already shows that women on low-incomes are not taking their unpaid maternity leave. **The Committee recommends that the national strategy should study childminding and parental leave systems operating elsewhere in Europe and consider how to improve provision between now and 2010.**

¹⁹³ Bradshaw J and Finch N (2003) *A comparison of child benefit packages in 22 countries*, DWP Research Report No 174, Leeds: CDS

¹⁹⁴ Ev 212

¹⁹⁵ Hudson M et al (2004) *Maternity and Paternity Rights in Britain 2002: Survey of Parents*, In-house Research Report 131

¹⁹⁶ OECD (2003) *Social Protection in the Nordic Countries*, Nordic Social Statistical Committee

¹⁹⁷ OECD (2003) *Social Protection in the Nordic Countries*, Nordic Social Statistical Committee

10 Future support for children

201. A key component of the Government's approach to tackling child poverty is providing financial support for families based on an approach described as progressive universalism. This section will explore this approach and analyse what options are available to the Government for the 2010 target to be met. It should be noted that the income measure of poverty currently used inevitably means that the anti-poverty strategy focusses much more upon poverty alleviation via increasing family income through benefits and tax credits.

Universal benefits

202. Universal support for children is provided through Child Benefit. Take up of Child Benefit is high and the current rate is £16.50 per week for the first child and £11.05 for subsequent children. Child Benefit has not increased in real terms since 1999, compared with relatively large increases in targeted and means-tested financial support. Consequently, fears have been expressed that continuing to uprate Child Benefit using the Retail Price Index instead of in line with earnings will cause it to "wither on the vine."¹⁹⁸ In oral evidence, the Secretary of State reiterated the Government's support for a combination of universal and targeted support for the poorest.¹⁹⁹

203. Internationally, universal child benefits are still common although a move away from non-means-tested benefits towards tax credits is apparent in many countries, as well as in the UK.²⁰⁰ Universal benefits are expensive and this is one reason why a targeted approach is favoured by the Treasury as it is more cost-effective in reducing child poverty.²⁰¹ To illustrate, in looking to the 2004-05 target IFS modelled the effects of different increases in benefits and tax credits and show that a £3 per week increase in Child Benefit from April 2004 would lift around 200,000 children out of poverty by the 2004-05 target at a cost of £2 billion.²⁰² This compares with the increase that the £3.50 increase in Child Tax Credit (CTC) which the Pre-Budget Report (PBR) implemented, lifting 160,000 children out of poverty at a cost of £885m.²⁰³ However, it is notable that countries who deliver financial support for children predominantly via non-means-tested benefits, for example, Denmark, Norway and Luxembourg, have comparatively low levels of child poverty but at the cost of high taxation. During the Committee's visit to Denmark, we noted that their child poverty rate of less than 5% was accompanied by generous rates of family allowances.²⁰⁴

¹⁹⁸ Q 154

¹⁹⁹ Qq 494-497

²⁰⁰ Bradshaw J and Finch N (2003) *A comparison of child benefit packages in 22 countries*, DWP Research Report No 174, Leeds: CDS

²⁰¹ Qq 329-331

²⁰² Ev 128

²⁰³ Ev 120 (vol III)

²⁰⁴ Annex 3

204. **The national strategy on child poverty should re-assert the commitment to retain universal child benefit uprated in future to maintain and enhance its real value as one of the foundations of all future support for children.**

Targetted benefits

205. The cornerstone of targetted support for families is the new tax credit system introduced in April 2003. The new system provides support for working and non-working parents, pays support for children to the main carer, is more generous and more effectively targetted, is based upon annual income and aims to improve incentives to save and to work.²⁰⁵ Currently, 5.9 million families, comprising 3.7 million couple families and 2.2 million lone parent families, are receiving tax credits. These families contain 10.7 million children.

206. The effect of changes in tax and benefit policies between 1997 and 2003-04 is discussed in Section 7. A further issue is the impact on work incentives. Before the new tax credits were introduced, analysis by IFS suggested that, in general, the incentives to enter work increased for the first earner in families, but for second earners in couples the incentive to work had generally been dulled.²⁰⁶

Child Tax Credit

207. Paragraphs 127-130 outlined the recent increases in the child element of Child Tax Credit (CTC) and noted that this should mean that the Government will hit the 2004-05 child poverty target. The evidence received during this inquiry, much of it provided before the announcements in the PBR, overwhelmingly suggested that increases in the child element of CTC were necessary for the 2004-5 target to be reached.²⁰⁷ However, it is worth briefly addressing some of the problems associated with increasing CTC and asking whether further increases are necessary, or desirable, in order to reach the 2010 target.

208. One consideration is what the effects of the introduction of, and increases in, CTC are. In oral evidence, Mike Brewer of IFS commented that, compared to the system in place before April 2003, the new tax credits "...have focused much more on reducing poverty rather than on improving work incentives" but his overall assessment was that the effect of the new tax credits on work incentives has been "...at best neutral and at worst slightly negative."²⁰⁸ This differs slightly from the more optimistic view taken by Treasury officials:

"...work incentives for some have improved, for instance second earners. Because the new tax credits work on the basis of your gross income rather than your net income, essentially it means that a second earner going to work gets to keep more of their personal allowance. I think you could say we now have more people in tax

²⁰⁵ PBR pg 98

²⁰⁶ Brewer M and Clark T (2003) *The Impact on Incentives of Five Years of Social Security Reforms in the UK*, Institute for Fiscal Studies, WP 02/04

²⁰⁷ Ev 81, 93, 124, 201

²⁰⁸ Q 247

credit, so there are more people now facing a marginal deduction rate of 70% - that is certainly true. One of the questions, of course, is the balance between the Child Tax Credit which you get in and out of work compared with the income you get going into work. Clearly putting money into the Child Tax Credit increases the proportion of your income that you keep, whether you are working or not working.”²⁰⁹

209. The Secretary of State also informed us that the Department is “actively considering” the implications of the increases in CTC and the effect on work incentives, and has commissioned IFS to research the issue.²¹⁰ It is worth noting that previous research analysing the reasons for the increases in lone parent employment between 1992 and 2002 found that almost half of it could be attributed to policy reforms (in particular, Working Families’ Tax Credit and the New Deal for Lone Parents) and that the increase had occurred at the same time as out-of-work benefits increasing significantly.²¹¹ Other issues identified in the oral and written evidence regarding increasing CTC rather than universal benefits included: whether the amount of financial support for children compared with adults was properly balanced and whether the family income was properly shared among all members of the household.²¹²

210. Finally, it is also worth noting Holly Sutherland’s warning that the more one puts into means-testing the harder it is to move away from it and that putting resources into CTC rather than Child Benefit is more effective if all one wants to do is reduce child poverty using an income measure. In addition, she commented:

“I would like to say something about the dangers of thinking mechanically about how to reduce child poverty, given that we have a relative measure. If you think mechanically, what you do is you simply put money into means-tested benefits but [which are] sufficiently mean so they do not reach median incomes, and you do not do things like increase the Child Benefit because that affects incomes at the median and you do not do things like increasing the minimum wage because that actually has a contrary effect. There is a real problem, which I am sure all of you can see, with thinking in such a mechanical, engineering-type way about the numbers.”²¹³

Working Tax Credit

211. Working Tax Credit (WTC) provides in-work support for families with children working 16 hours or more (and for those without children who are working 30 hours or more). Currently, 1.59 million families with children are receiving WTC and the maximum CTC.

212. Contrary to the widespread support for tackling child poverty through increasing the child element of CTC, one organisation, Care, instead favoured increasing WTC.

²⁰⁹ Q 334

²¹⁰ Qq 458-459

²¹¹ Gregg P and Harkness S (2003) *Welfare Reform and Lone Parent Employment in the UK*. CMPO Discussion Paper No 72/03

²¹² Qq 259 - 260, Ev 5, 124

²¹³ Q 262

Care argued that tax credits do not deliver enough to raise the equivalised income of two parent families with one worker above the 60% median and therefore “discriminate” against couples.²¹⁴ This is because the formula used to calculate equivalised income²¹⁵ takes account of the number of adults in the family, whereas tax credits do not. They argued that an enhanced couples credit would be more effective at reducing child poverty as it would be chiefly targetted at those with lower incomes, although they recognise that it might be costly. Care suggests that a couples element of WTC should be double the lone parent element (ie £57.40 compared with £28.70). They argue that this would bring tax credits into line with other benefits.²¹⁶

213. Mike Brewer of IFS and Holly Sutherland were in agreement over Care’s point that WTC is not aligned with the equivalised income scale although Holly Sutherland commented that she had “...a different interpretation of what it means one should do.” She argued that supporting children is best done through the vehicle that is targetted at children, i.e., CTC, and that supplementing low wages through the tax credits system should be minimised.²¹⁷ Officials from the Treasury pointed out that WTC is essentially about work incentives and that lone parents face worse work incentives than couples. In addition, single earner couples do not have childcare costs to the same extent as lone parents which will further reduce a lone parents’ income. They also commented that many more couples get the 30 hour element of WTC – currently 1,243,000 couples compared with 452,300 lone parents – “so you could almost think of that 30-hour element as being a predominantly couple-biased element.”²¹⁸

214. Subsequent analysis undertaken by IFS modelled the impact of introducing a couples rate for WTC of £875 per year, or £16.80 per week in April 2004 – the amount being of comparable cost (just over £1 billion) to other policy changes modelled such as increasing CTC by £3 per week.²¹⁹ This would result in 200,000 children being lifted out of poverty by the 2004-05 target, meaning that the increase would be comparable to increases in CTC. The analysis also shows that increases in the child element of CTC does more to help the poorest children, who tend to live in workless households whereas increases in WTC help those closest to the poverty line.

215. Whether it is better to use CTC or WTC as a tool for tackling poverty is not a straightforward question to answer. **The Committee recommends that the Government undertake further research within the next two years to examine fully the impact of recent and possible future increases in Working Tax Credit and Child Tax Credit on child poverty, severe and persistent child poverty and work incentives.**

²¹⁴ Ev 98-103

²¹⁵ Equivalisation is needed to make sensible income comparisons between households. Income data is adjusted to take into account variations in size and composition of households to reflect the fact that a family of several people needs a higher income than a single person to achieve a comparable standard of living.

²¹⁶ Ev 104

²¹⁷ Q 257

²¹⁸ Q 299

²¹⁹ For more detail see Ev 121-123 (vol III)

Large families

216. The risk of poverty for children in large families is much higher than in small families – a quarter of children in a family with one or two children is in poverty compared with a third of those in a family with three children and nearly half of those in a family with four or more. 43% of all children in poverty live in households with three or more children. The Secretary of State acknowledged this problem and pointed to the analysis undertaken in *Opportunity For All* which concluded that family size correlates with other factors, such as ethnicity, having pre-school age children, worklessness and potentially high childcare costs, and that more research is needed to fully understand the issues.²²⁰

217. IFS have looked into how financial support for large families might be provided and they have analysed the effect of the introduction of a new premium in Child Tax Credit for families with three or more children, at a rate of £845 per year. They calculated that, if introduced in April 2004, this would lift 210,000 children out of poverty at a cost of £1.01 billion. Although the large family premium was modelled to include families with annual incomes up to £50,000, as most large families are poor the premium would still be effective in lifting children out of poverty.

218. Child poverty in large families undoubtedly needs to be tackled if the 2010 target is to be met. Whether the introduction of financial support targetted at large families would receive public support is open to question. A more equitable solution might be to ensure that all children receive additional financial support as this would automatically benefit large families. It is apparent that more research is needed. The 1.55 million poor children living in large families urgently require further financial support and without it, the chance of meeting the 2010 target is in jeopardy. **The national strategy for child poverty should consider including additional financial support for large families, either through a new large family premium in Child Tax Credit, or additional premia for all children.**

Child support

219. The Department's memorandum identified the introduction of the new child support scheme as one of the five key measures supporting the Government's commitment of 'work for those who can, security for those who cannot'. The Department's memorandum states "Reforming the child support scheme will get money to more children more quickly – over a million children will benefit as a result."²²¹

220. The new child support system was introduced in March 2003 after a significant delay – it was first intended to be introduced in October 2001 and then in April 2002. Substantial problems with implementation of the new system mean that, by December 2003, only 17,000 clients were receiving maintenance payments under the new system. In oral evidence, the Secretary of State stated:

²²⁰ Q 477

²²¹ Ev 224

“...the frustrations of getting the new system up and running properly so that we can transfer existing cases onto it are certainly some of the biggest that I have encountered since I have been Secretary of State and I share the disappointment of the Committee that faster and further progress has not been made.”²²²

221. He also informed the Committee that a recovery programme for the new system was in place and that it was expected to be delivering a satisfactory level of service within six to nine months from the beginning of 2004.²²³ He also confirmed that the migration of existing cases is still delayed, with “a very large number” of cases waiting to be transferred to the new system due to significant problems with the IT system.²²⁴

222. The delayed migration of existing cases is particularly worrying as, under the existing system, just over half (54%) of cases are fully compliant and a quarter of parents with care do not receive any of the maintenance due to their children. The Committee is also very concerned at the poor enforcement levels and the limited use of the enforcement powers that the Child Support Agency have. **The Committee recommends that an immediate rescue plan be mounted to ensure that the Child Support Agency cases are all migrated onto the new system by 30 June 2005, and enforcement actions increased massively by 31 December 2005, with an enforcement system which commands greater confidence amongst parents and the public.** The policy and administration of the CSA is an area on which the Committee intends to focus in the future.

Options for 2010

223. The Government is committed to halving child poverty by 2010. As discussed in section 7, it seems likely that the target of reducing child poverty by one quarter by 2004 will be met, although it will not be until 2006 that data will reveal whether this has in fact been achieved. What is necessary in order for child poverty to be halved by 2010?

224. As yet, this goal has not been expressed in terms of a precise PSA target. When this is done it is likely to be based on the measurement of child poverty discussed in Section 4. The emphasis on a measure of relative poverty based on incomes before housing costs has been questioned. In this section the task of halving poverty measured both before and after housing costs is assessed.

225. Appearing before the Committee, both Treasury officials and the Secretary of State for Work and Pensions were asked about the Government’s plans for progressing from the 2004 target to the goal for 2010. They were not able to offer substantial assistance to the Committee on this matter. Treasury officials responded as follows:

²²² Q 498

²²³ Qq 502-504

²²⁴ The issue of problems with the Department’s IT systems is currently being investigated by the Work and Pensions sub-Committee and a Report will be published in due course.

Q355 Mr. Dismore: I am looking forward to the 2010 target. How far do you think increases in Child Tax Credit can actually go towards that, or do you want to change direction?

Mr. Holgate: I think that the sort of spending review mantra applies somewhat to that question as well. We are now dealing with where might we get in terms of increasing employment over the next five or six years. For example, how successful will the Pathways to Work programme be? How much further will we get towards the Government's target of 70% of lone parents in work? Those are the things that we are going to have to estimate or guess, and that will begin to show us the extent to which the Child Tax Credit might have to be operated in order to get to the target that we have set ourselves for 2010.

Q356 Mr. Dismore: ... What proportion of the proposed [reduction] do you think is going to result from increased employment in both lone and two-parent families and what you have to do in order to try and achieve that? Secondly, to what extent is the target going to be met by increasing financial support for this and what will that cost, and what the increased financial support will be for non-working families ...and what will this cost?

Mr. Holgate: ...you are, again, quite understandably, begging questions that we will only be able to answer in July.

Ms John: And even further actually, because there are so many variables that will affect where we are in 2010. We have talked about the difficulty of forecasting what is going to happen in 2004/5. 2010 is more than six-fold as difficult to contemplate.

Q367 Mr. Dismore: If that is the target date, then you have to start developing policy to achieve it. These must be the key elements of that?

Mr. Holgate: Yes, but, as I say, I think, perfectly understandably, you are raising questions about the pattern of public expenditure and some quite major decisions about public expenditure for which ministers do not currently have an answer, for a very understandable reason.

226. The Secretary of State was questioned on the same matter:

Q460 Andrew Selous: So what contribution to the 2010 target will come from a growth in employment compared with increases in benefits and tax credits then?

Mr. Smith: I asked that very question of my officials in preparation for this session, anticipating that you would ask it, and they said it is very, very difficult to attempt to make any estimate.

Q461 Andrew Selous: Even ballpark figures?

Mr. Smith: I asked them for ballpark as well, but they would not be drawn.

Q462 Andrew Selous: So your officials have no view?

Mr. Smith: It is not a question of having no view. I think this is an area where actually I will make sure if it is not already happening that it does happen, which is to

have some intensive and careful and statistical analysis because it would surprise me if, on a statistical basis, you could not actually make an estimate, but we do not have one to hand and, as I say, I could not extract a ballpark estimate out of them.

227. While it is understood that the matter is currently under review, the Committee is concerned that, if the 2010 goal is to be achieved, a ‘road map’ should be published setting out how the goal is intended to be achieved and what policy developments are necessary for its achievement. This was suggested by several of those giving evidence.²²⁵ Although there is inevitably uncertainty about the likely situation five or six years ahead, an indicative plan of how the 2010 goal may be achieved will serve to extend awareness of what will be involved and sustain support for this admirable goal.

228. In the absence of any indication of how the Government plans to progress on child poverty beyond 2004, the Committee commissioned Holly Sutherland of the University of Cambridge Microsimulation Unit to assess what was necessary to achieve the 2010 target.²²⁶ In making this assessment it must be recognised that the extent of child poverty is affected by many things. For example, child poverty would fall if better off people and poorer people decided to live together; if earnings for the low paid increased; if people moved from relatively low incomes on social security benefits into employment on higher earned incomes; or if benefits or tax credits improved relative to median incomes. In looking ahead to 2010 there may be changes in:

- family structure – the number and sizes of two- and one-parent families;
- employment patterns – will, for example, the target of 70 percent of lone-parents in employment be achieved? and
- benefits, taxes and tax credits in relation to median incomes.

229. Forecasting all of these would, as the Treasury officials stated, be difficult to contemplate. It is, however, possible to estimate what would be needed to halve child poverty if other things were constant – that is if family structure and employment patterns did not change and benefits, taxes and tax credits remained constant relative to median incomes. On this basis, Sutherland estimates that the extra income needed to halve poverty in 2010 would, in 2004 prices, be approximately:

- On Before Housing Cost basis £5 per child (per week)
- On After Housing Cost basis £10 per child (per week)²²⁷

230. The cost of such increases depends on how they are provided.

231. At one extreme this could be provided universally for all children regardless of family income: such universal provision would cost £3.5 million or £7 billion per annum, depending on whether the before or after housing cost basis were used.

²²⁵ Ev 73-74, 82, 135,

²²⁶ Ev 216 (vol III)

²²⁷ Details of her estimates are contained at Ev 159.

232. At the other extreme, the additional income necessary to halve poverty could be confined to those in poverty. Only households in poverty would receive the extra income and once they reached the poverty line they would receive no more. Thus, a one-child family £20 below the poverty line would receive the full increase but if they were only £2 below the poverty line they would only receive an extra £2. This notional system would of course result in ‘bunching’ of families at the poverty line and create major incentive problems but it indicates the cost of the most highly-targeted approach. The cost of this targeted provision would be £0.5 billion or £1.5 billion per annum, depending on whether the before or after housing costs basis were used.

233. These hypothetical costs suggest three things. First, it seems probable that very substantial further resources will need to be directed towards families with children if child poverty is to be halved by 2010. Second, the extent of resources needed depends on how highly targeted the extra income is towards the poorest families. Third, the extra resources required would, even on a universal basis, be no more than the extra redistributed to families with children in the years up to 2004.

234. If some part of the halving of child poverty were achieved by increasing employment this would reduce the direct costs for the Exchequer. Increased employment may, however, be dependent on increased child care provision or an increase in child care tax credits – both of which have indirect Exchequer costs. No estimates of such costs have been made.

235. To help reach the goal of halving child poverty by 2010, the Committee recommends that support for each of the poorest children – measured on the after housing costs basis – soon be increased by £10 per week.

11 Area-based child poverty

Child poverty rates by country

236. Child poverty rates vary enormously across different areas of the UK. Taken by country, Wales has the highest child poverty rate in the UK, using the HBAI income measure. The Households Below Average Income (HBAI) statistics show that child poverty in Wales is slightly higher (30% compared with 29% in England and 27% in Scotland). The latest HBAI figures for 2002-03 give a child poverty rate (AHC) of 27% for Northern Ireland. The BHC rate is higher than Great Britain at 22% compared with 21% but the figures are not comparable because of the different treatment of water charges.

Child poverty in Northern Ireland

237. Until the inclusion of Northern Ireland in the Family Resources Survey 2002-03, there had been a seven year gap, with no poverty measurement taking place in Northern Ireland at all.²²⁸ This led to the comment by the Northern Ireland Anti-Poverty Network (NIAPN) that "...child poverty levels in Northern Ireland are a skeleton in the cupboard that has been ignored on a national level."²²⁹ Researchers from Queen's University Belfast and the University of Ulster recently published research on poverty and social exclusion in Northern Ireland.²³⁰ They combined an income measure of poverty with a consensual measure similar to that used in the Poverty and Social Exclusion Survey in Great Britain. Using this measure they calculated that 37% of children in Northern Ireland were in poverty. The characteristics of children in poverty were very similar to those in Great Britain with a high child poverty rate in lone parent households, large families and families with a disabled adult or child. In addition, higher poverty rates are to be found in families who define themselves as 'Irish' or 'Catholic'.

238. Evidence suggests that the high child poverty rate in Northern Ireland can be attributed to a range of factors, including: the higher incidence of large families; a higher cost of living; unemployment; and low pay.²³¹ Over a quarter of families in Northern Ireland have three or more children,²³² compared with less than a quarter in Britain. Financial support for families with children tends to favour smaller families, as demonstrated by the higher rate of Child Benefit for the first child and the reduced rate of help with childcare costs through Child Tax Credit for those with two or more children. In addition, the cost of some essential goods and services is much more expensive in Northern Ireland than in the UK as a whole. The prices of fuel and light in Northern Ireland are 25% higher than the UK average; fares and travel are 13% higher;

²²⁸ Annex

²²⁹ Ev 83

²³⁰ P, Kelly G, McLaughlin E, Patsios D and Tomlinson M (2003) *Bare Necessities: Poverty and social exclusion in Northern Ireland*

²³¹ Annex 4, Ev 44, 84

²³² Ev 85

motoring costs are 11% higher and food costs 5% more in Northern Ireland compared with the UK average. However it should also be noted that housing costs are 29% less in Northern Ireland than the UK average.²³³

239. The NIAPN sets out very persuasive evidence showing how unemployment, underemployment, low pay and low income contribute to the high child poverty levels in the province.²³⁴ Their written evidence compares data for 2002 which shows that 32% of children in Northern Ireland live in households whose only income derives from benefits, compared with 19% in Britain. Unemployment has long been a problem in Northern Ireland, although rates have fallen in recent years, and the province now has a lower unemployment rate than the North East of England, to which it is frequently compared. NIAPN also points out that households in Northern Ireland earn on average 20% less than the rest of the UK; average household income is 22% lower than the UK average; and 21% of average households' income is derived from social security benefits, compared with 12% in the UK.

240. The Committee recognises that an enormous amount of valuable anti-poverty work is being undertaken in Northern Ireland through the New Targetting Social Needs programme. But problems such as unemployment, economic inactivity and low pay cannot be left for the devolved administrations to tackle. The valuable lesson learned during the Committee's visit to Northern Ireland, and which is also reflected in the above facts, was that child poverty alleviation in Northern Ireland has to be tackled by the UK Government in co-operation with the devolved administration.

241. The Committee recommends that special measures are needed to bring Northern Ireland into line with household income levels in other parts of the UK and that Northern Ireland should be included in future PSA targets on child poverty in order to promote consistency and to reduce any distortion in the UK figures.

Child poverty and income deprivation by district, ward and region

242. Regions across Britain show considerable variation in both child poverty and child deprivation rates.²³⁵ The HBAI statistics show that London has the highest child poverty rate (38% of all children in London - rising to 54% in inner London) and that the lowest rates are in Eastern England (23%) and the South East (30%) (see table 1). A similar picture can be seen using the child income deprivation index (CIDI) for England and Wales where London has the highest child income deprivation rate (30.1%) with the lowest rates in the South East (13.7%) and in Eastern England (15%) (see table 2).

²³³ Annex 4

²³⁴ Ev 84-85

²³⁵ Regional variations of poverty within Northern Ireland are not as yet available.

Table 1: Percentage of children in households below 60% median income, by geographical region

Region	Children in households below 60% median income %	
	Before housing costs	After housing costs
England	20	29
North East	32	37
North West and Merseyside	22	30
Yorkshire and the Humber	24	30
East Midlands	23	29
West Midlands	22	29
Eastern	14	23
London	25	38
Inner	37	54
Outer	18	30
South East	12	20
South West	17	25
Scotland	23	27
Wales	25	30
Northern Ireland	22	27

(Source: HBAI)

Table 2: Numbers and Rates of Children in Income Deprivation in 2001 by Region

Region	Total Child Population Aged under 16, 2001	Total Number of Children Aged under 16 in Income Deprivation 2001	Percentage of Children aged under 16 in Income Deprivation
East	1,049,695	156,890	14.95
East Midlands	819,200	146,740	17.91
London	1,401,290	421,040	30.05
North East	493,040	127,170	25.79
North West	1,373,050	330,500	24.07
South East	1,539,305	211,270	13.73
South West	910,950	137,275	15.07
West Midlands	1,074,010	233,665	21.76
Yorks Humber	988,630	214,915	21.74
Wales	565,665	135,920	24.03

243. To analyse poverty at district level or below, it is necessary to use CIDI as HBAI does not enable analysis below regional level. At district level, 13 of the 20 most deprived districts in England and Wales are in London, 2 more than in 1999 – Tower Hamlets having the highest child deprivation rate of 56.3% (see table 3). However, at ward level, four of the ten wards with the highest rate of child deprivation are in Liverpool and nine of the ten most deprived wards are in the North West region. The most deprived 20% of wards (1767 in total) are mainly clustered in London, Wales, the North East and the North West. With over half (53.1%) of the wards in London falling into the most deprived 20%, London has the greatest percentage of wards in the most

deprived 20% (see table 4). Yet the most deprived ward in London (East India and Lansbury) is the 30th most deprived ward suggesting that extreme pockets of deprivation are also elsewhere.

Table 3: Top 20 Districts with the highest rates of income deprived children for 1999, 2000 and 2001

	1999	2000	2001
1	Manchester	Tower Hamlets	Tower Hamlets
2	Tower Hamlets	Islington	Islington
3	Knowsley	Hackney	Hackney
4	Liverpool	Manchester	Manchester
5	Islington	Newham	Newham
6	Hackney	Haringey	Haringey
7	Newham	Camden	Camden
8	Haringey	Knowsley	Liverpool
9	Westminster	Liverpool	Southwark
10	Nottingham	Southwark	Knowsley
11	Merthyr Tydfil	Lambeth	Lambeth
12	Middlesbrough	Hammersmith and Fulham	Nottingham
13	Lambeth	Nottingham	Hammersmith and Fulham
14	Camden	Westminster	Westminster
15	Greenwich	Greenwich	Greenwich
16	Kingston upon Hull, City of	Middlesbrough	Barking and Dagenham
17	Southwark	Barking and Dagenham	Lewisham
18	Barking and Dagenham	Lewisham	Middlesbrough
19	Newcastle upon Tyne	Merthyr Tydfil	Newcastle upon Tyne
20	Blaenau Gwent	Kingston upon Hull, City of	Kingston upon Hull, City of

Table 4: Number of wards in the most deprived 20% of wards in England and Wales on the CIDI, by region

	Number of wards in most deprived 20% of wards in England and Wales	Number of wards in the Region	% of wards in each region falling in most deprived 20% of wards in England Wales
East	105	1118	9.4
East Midlands	129	881	14.6
London	332	625	53.1
North East	181	484	37.4
North West	286	1006	28.4
South East (excluding London)	130	1499	8.7
South West	81	1088	7.4
West Midlands	143	761	18.8
Yorkshire & the Humber	131	496	26.4
Wales	249	881	28.3
Total	1767	8839	20

244. Table 3 also shows how districts have changed their ranking over a three year period. In 1999, 11 of the 20 districts with the highest income-deprived children rate were in London, but by 2001 that rose to 13. In 1999, the district with the highest child deprivation rate in Wales, Merthyr Tydfil, was ranked 11th but by 2001 had fallen to 22nd. In 2001, the English district with the highest child deprivation rate outside of London was Manchester with 45.6%. In 2001, Manchester was ranked fourth on the list when in 1999 it had been the most deprived district in England and Wales. The year on year figures for the worst districts show London moving up the table at a considerable rate over only a three year period. In 1999, three of the worst six districts were in London; in 2001, the figure had risen to five out of six.

245. Further research on the child income deprivation index shows that roughly two-thirds of poor children live in 24% of wards.²³⁶ Thus, policies concentrated on the 20% most deprived wards exclude around a third of poor children. The analysis also shows the extreme spatial concentration of child poverty. Half of child poverty is found in only 12% of wards and a third in 5% of wards.

246. This lengthy analysis shows the extent of child income deprivation within areas of England and Wales. It also leads to the question of whether or not the Government's approach of targetting resources at children through area-based initiatives is the right way forward. The Committee believes that while area-based policies are important for the social environment in which children grow up, they are no substitute for policies that ensure adequate incomes for all families wherever they live. **We therefore recommend that the Government review the targetted initiatives that are currently in place and consider whether a universal approach might be more effective in the run-up to the 2010 target.**

Child poverty in London

247. London is not only the region with the highest child poverty rate, but it also has the highest number of children living in poverty, reflecting its large population (19% of all poor children live in London).

248. Evidence suggests that child poverty in London is chiefly caused by the high levels of worklessness in the capital, the high cost of living in London and the lack of affordable childcare. The higher proportion of lone parent families and minority ethnic groups also increases the risk of poverty for children in London. These groups also have higher levels of worklessness, thereby increasing the poverty risk further.²³⁷

249. Figures from the 2001 Census show that one in nine households in London is a lone parent household compared with less than one in ten in England and Wales. Of the twelve local authorities in England and Wales with the highest proportion of lone parent households, six are in London.²³⁸

²³⁶ Ev 180

²³⁷ Ev 8-9, Ev 152 (vol III)

²³⁸ GLA (2003) *2001 Census Key Statistics: People, Families and Households*, DMAG briefing, 2003/14, London: GLA

Worklessness and lone parents in London

250. In written evidence, the Greater London Authority (GLA) closely analysed the issue of worklessness and pointed to Census figures showing that nearly a quarter (23%) of households with children in London have no adult in employment compared with 16% nationally.²³⁹ GLA's analysis shows that local authority districts in England which have a high proportion of children in workless households, such as Liverpool, also have a high proportion of worklessness in households without children. This is not the case in London. GLA states:

“The extent of the disparity between household type is far greater than in any other area whether measured at regional, metropolitan or local authority level. London is thus different in at least one crucial respect from those other areas where high percentages of children are in workless households, and indeed is different from all other areas in England and Wales. Households which include children in London fare far worse than those without children.”²⁴⁰

251. The Census figures show that half of lone parents in England and Wales were not in employment but in London this rises to 58%, 61% in Inner London.²⁴¹

High costs of living in London

252. The Association of London Government (ALG) point out that

“London's high costs exacerbate child poverty in the capital. Many London children continue to live in poverty in workless families as the high costs of housing and childcare in the capital make it difficult for their parents to move into employment.”²⁴²

253. Research conducted by the Centre for Economic and Social Inclusion examined the costs of moving into work for people living in London and found that lone parent and couple families need to earn between 27% and 60% more than people need elsewhere to be £50 better off. The research found that lone parents in London moving into part-time work need to earn more than the minimum wage to be £10 better off – this is not the case elsewhere. Nationally, a lone parent moving into full-time work at the minimum wage and with high childcare costs will be £24.65 better off than they were on benefits, whereas in London they would need to earn £7.43 per hour to achieve the same weekly gain.²⁴³

Childcare

254. Figures from the Daycare Trust show the high costs of childcare in inner London, with a typical full-time nursery place for a child under two costing £168 and a

²³⁹ Ev 157 (vol III)

²⁴⁰ Ev 157 (vol III)

²⁴¹ GLA (2003) *2001 Census Key Statistics: People, Families and Households*,

²⁴² Ev 8. para 10

²⁴³ Bivand P et al (2003) *Making Work Pay in London : A Report by the Centre for Economic and Social Inclusion*, London: CESI

childminder costing £137. This compares with £134 and £121 nationally.²⁴⁴ The high childcare costs in London, combined with the fact that the childcare element of Working Tax Credit (WTC) covers only 70% of costs up to a limit of £135 for the first child and £200 for two or more, results in parents having to pay more for childcare even though they are on a low-income.

255. Highlighting some of the problems in London with supporting childcare costs for working parents through the tax credits system, Declan Gaffney of the GLA said:

“...women who work in London are much more likely to work full-time than to work part-time. The rates of part-time working are, for women with children, about half the national average...if one looks at how the existing system of support through the Childcare Tax Credit operates, it does seem rather to incentivise people to purchase part-time childcare rather than full-time childcare. If one is paying for full-time childcare at normal market rates, it very quickly becomes unaffordable even with the support from the Childcare Tax Credit for families on lower incomes and I think about 50% of all Childcare Tax Credit awards go to people who are working part-time. In London we feel with the employment situation of lone parents and of women with children generally, that the improvements will not come through major increases in the rate of part-time work and we think there is a structural issue here with regard to the London labour market which prevents people being able to access suitable part-time opportunities. This means that the focus on childcare is very much a focus on how you can make sure that there is affordable full-time childcare provision available for those who need it...”²⁴⁵

Housing

256. The HBAI figures illustrate the implication of high housing costs in London. When measured before housing costs, 24% of children in London and 36% in Inner London are in poverty. However, when measured after housing costs these figures jump to 38% and 54% respectively. Nationally, 21% of children are in poverty before housing costs and 28% after housing costs.

257. Several organisations, including the Association of London Government (ALG), pointed to the problems of the interaction of WTC with Housing Benefit and Council Tax Benefit, which dulls the intended work incentive of WTC.²⁴⁶ Shelter pointed to four key problems with Housing Benefit that undermine the effectiveness of benefits and tax credits in reducing child poverty: work-related benefits (including Child Tax Credit) which are taken into account when assessing income in the Housing Benefit calculation; the steep Housing Benefit taper which decreases Housing Benefit by 65p for every pound earned, with a further 20p decrease in Council Tax Benefit; rent restrictions which result in an average shortfall of £19 a week for families in private rented accommodation; and poor administration and the complexity of Housing

²⁴⁴ Daycare Trust *The 2004 Childcare Costs Survey*,

²⁴⁵ Q 538

²⁴⁶ Ev 8, 136, 213, 234

Benefit.²⁴⁷ The problems with Housing Benefit disproportionately impact upon those living in high cost areas such as London.

Transport costs

258. A further aspect of the high costs of living in London is transport costs. Research suggests that high transport costs limit people's mobility within London when deciding to take a job.²⁴⁸

259. The GLA is currently piloting a scheme in seven areas of London to provide discounted travel passes for those moving into employment and also claiming Working Tax Credit or Child Tax Credit of more than £10.43 per week.

Child poverty and ethnicity in London

260. Using the 2001 Census figures, the GLA highlights the importance of tackling child poverty within minority ethnic groups in London and it is worth looking at their analysis in some detail.

261. More than two-fifths (41%) of children in London, and over half (53%) in Inner London, belong to minority ethnic groups, compared with 9% nationally. The minority ethnic population of London is very diverse with the largest group – Black African – accounting for 8.3% of the child population. According to the GLA, 80% of the projected growth in London's working age population to 2016 will be accounted for by minority groups. This is particularly important for the child poverty targets as minority ethnic children have a higher risk of being in a workless household – in England and Wales, 16% of all children were in workless households, compared with 20% in London. With the exception of Chinese, Indian, mixed White and Asian children, children in other minority ethnic groups have a much higher risk of being in a workless household across the Greater London area – around 30%. However, there are also substantial differences between areas of London.

262. Finally, the GLA also say that demographic trends may lead to a worsening position in London. Although nationally the child population is forecast to reduce by 7% over the period 2001 to 2011, the child population of London will continue to grow and minority ethnic children will account for an increasing proportion. The GLA concludes:

“...the Government's aims with regard to poverty reduction will not be met in London without major changes in the relative welfare position of most black and minority ethnic communities.”²⁴⁹

263. As outlined in section 8, the Department does have an employment strategy aimed at increasing the employment rate of minority ethnic groups. However, the extent to which it will be effective in London is open to question. In oral evidence,

²⁴⁷ Ev 136

²⁴⁸ Bivand P et al (2003) Making work pay in London: A report by the Centre for Economic and Social Inclusion

²⁴⁹ Ev 158

Declan Gaffney of the GLA suggested that earlier intervention in deprived areas might be one way to tackle worklessness among the minority ethnic population. For example, rather than waiting for minority ethnic young people to leave school and eventually move into the New Deal for Young People, Jobcentre Plus and employers should be working with schools to ensure that young people are aware of the opportunities that are available to them.²⁵⁰ In oral evidence, the Secretary of State stated: “I agree with you that there is a particular challenge in London both on poverty and on employment.”²⁵¹ When asked whether he accepted that real inroads into child poverty were necessary he went on to say: “Yes, I would agree that progress in London is an absolute necessary condition towards hitting our target.”²⁵²

264. The Committee is persuaded that special measures are needed in Inner London to ensure that the 2010 target will be met. The Committee recommends that the Housing Benefit disregard on earned income be substantially increased in Inner London and the proportion of childcare costs covered by the childcare element of Working Tax Credit be increased to 90% in Inner London. We also recommend that Jobcentre Plus be given additional resources to help minority ethnic groups and lone parents in the capital move into work.

²⁵⁰ Q 551

²⁵¹ Q507

²⁵² Q508

12 Mainstreaming child poverty

265. Much of this inquiry has focussed on the extent to which income poverty targets will be met. To that end we heard evidence from the two Departments most concerned with transfers – the Department for Work and Pensions and HM Treasury. However the Committee recognised from the outset that other central government departments, the devolved administrations and local government all had an important part to play if the target of eradicating child poverty in a generation is to be achieved. We therefore heard oral evidence from the Minister for Children, Young People and Families, from the local government associations and visited Northern Ireland to find out how the anti-poverty strategy was being implemented there. We were aware of the Child Poverty Task Group in Wales, which has been established by the Welsh Assembly Government to help it to develop a child poverty strategy in Wales and to undertake an audit of existing Welsh Assembly policies and programmes impacting upon child poverty. We are also aware of the report on Cross-Cutting Expenditure in relation to Children in Poverty produced by the Scottish Parliament Finance Committee which found

- “significant increases in core local government, health and housing programmes over the period 1999-2002, but at a lower rate than the Scottish Budget as a whole...
- the total planned increases for these core services is below the Scottish average increase in programme expenditure for the next three years, while some of the targeted programmes will simply stand still...
- that the Executive has made progress in reducing the level of child poverty, but that a step-change in its approach is needed if the ambitious targets are to be met.”²⁵³

266. The Committee also wrote to government departments asking them what contribution they were making to the child poverty strategy and their responses are outlined in paragraphs 280-287.

Reasons for concern

267. There are three reasons to be concerned with the extent to which the child poverty strategy is mainstreamed.

268. First, the Government has always recognised that, as well as employment and transfers, the strategy involves services. Thus, for example, the Secretary of State in his foreword to the latest *Opportunity For All* report said:

“...we recognise that poverty is not just about income. We understand that people’s opportunities and quality of life are also shaped by their education, by their skills, by

²⁵³ Finance Committee 2nd Report 2003 (Session 2) Report on Cross-Cutting Expenditure in relation to Children in Poverty SP Paper 4 Session 2 (2003).

access to quality health services, by decent housing and by the security and environment of areas where they live.”²⁵⁴

269. To that end the indicators used to monitor progress in child poverty, in addition to employment and income poverty, cover education, health and housing. The National Action Plan for Social Inclusion also includes a wide range of tertiary indicators and targets based on Public Service Agreements across central government, the devolved administrations and local government.

270. Second, the Committee recognises that while employment and transfer policies are vital to the achievement of specific income poverty goals in the short and intermediate term, the long term part of the strategy depends on the performance of services in preventing future child poverty as well as in mitigating the consequences of material deprivation now.²⁵⁵

271. Third, an important part of the strategy is focussed on people in deprived areas. But, while child poverty is heavily concentrated, many poor children do not live in poor neighbourhoods.²⁵⁶ The only way they are going to be helped is by mainstream services being sensitive to their needs.

272. Thus the idea of mainstreaming raises two questions: is the anti-poverty strategy being mainstreamed within the provision of services? Is the anti-poverty strategy part of the work of mainstream services – in addition to targeted services?

273. We found that the written and oral evidence available to help us answer these questions was much thinner than we really needed. It is significant that in the 2003 Budget the Chancellor announced:

“for the next Budget and the next Spending Review I have asked for a report on both the public service and welfare reforms we need to reach our goal of a 50% cut in child poverty by 2010 on the road to the abolition of child poverty in a generation”.

274. The seminars that resulted from this announcement have been taking place in HM Treasury while this Inquiry was in progress. Budget 2004 reported that emerging themes from the Child Poverty Review included: the importance of providing appropriate, responsive support for children at different stages of their development; the need for additional support for minority ethnic families and families with disabled children; the crucial role played by local authorities and the voluntary and community sectors; and the need for policy to work across traditional boundaries.

275. NSPCC called for a National Strategy on Child Poverty:

“In order to reduce and eradicate child poverty, covering its responsibility to UK children in all jurisdictions... a national Strategy would help to bring together

²⁵⁴ DWP (2003) *Opportunities for All: Fifth Annual report*. Cm5956, HMSO. Pg vii

²⁵⁵ Ev 34, 62-68, 126, 165

²⁵⁶ See paras 233

policies across the four nations and ensure child poverty is addressed throughout the UK, whilst acknowledging the different constitutional arrangements.”²⁵⁷

276. In Northern Ireland the Committee saw for itself how the New Targetting Social Need (New TSN) policy was developing and was particularly impressed by the approach to mainstreaming child poverty across different departments. But it is notable that apart from tax and benefit policies it appears that a UK perspective on child poverty only emerges in relation to the National Action Plan for Social Inclusion – part of an EU initiative. The Committee’s visit to Northern Ireland, and the oral evidence from the Minister for Children demonstrated the differences in a policy such as Sure Start, which has varying national budgets, operates very differently in each country and has apparently little co-ordination at the UK level.²⁵⁸

277. HM Treasury and the DWP are in the lead on the strategy but the eradication of child poverty is a government-wide target. Indeed, child poverty policy is inextricably linked to family policy, which is the responsibility for the Education Department. The internal review of family policy which that department is currently undertaking will contribute, in the Minister’s words, “to the parenting strand of the Child Poverty Review currently being conducted by HM Treasury. Here, joined up policy-making is essential. Shelter argued that delivering on the commitment to eradicate child poverty:

“...should underpin the work of departments across Whitehall – policies should be “proofed” against child poverty objectives and should not be implemented if they undermine efforts to tackle it. ...More broadly, government structures and processes tend to encourage departments to pursue their own objectives rather than promoting a strategic focus on major cross-cutting priorities.”²⁵⁹

278. The End Child Poverty Coalition also proposed:

“A mechanism to ensure that policies devised by all government departments, while not necessarily working towards the strategy do not work against the strategy or the target to end child poverty – ‘child poverty proofing’.”²⁶⁰

Departmental progress on mainstreaming

279. The Committee wrote to central government departments other than DWP and HM Treasury that might contribute to the eradication of child poverty. Their responses are summarised below and are in Volume III.

280. The Minister for Children, Young People and Families stated:

“The basis for tackling child poverty and social exclusion is to ensure that we give children an excellent start in education so that they have a better foundation for future learning and to enable young people to develop and to equip themselves with

²⁵⁷ Ev 82

²⁵⁸ Annex 4, Qq 383-389

²⁵⁹ Ev 136

²⁶⁰ Ev 74

skills. Knowledge and personal qualities needed for life and work... so the work to tackle child poverty is firmly embedded in what we are seeking to do.”²⁶¹

281. The letter also referred to: the contribution of Sure Start; the investment in schools in Excellence in Cities areas covering 1,500 secondary and 3,000 primary schools, which is being extended to 15 more LEAs in September 2004; the efforts the DfES is making to encourage the take-up of free school meals and their nutritional adequacy; and the guidance to LEAs to take into account the costs of school uniforms.

282. The Parliamentary Under Secretary for Health referred to the health inequality target: “Starting with children under one year, by 2010 to reduce the gap in mortality by at least 10% between ‘routine and manual’ groups and the population as a whole.” He acknowledged that the gap had been widening since the target was established and the target “remains very challenging”. Among the measures to combat health inequalities he mentioned: the Acheson Report published in 1998; making health inequalities fundamental to the NHS Plan; 3000 personal medical schemes to retain and recruit GPs in deprived communities; new formula for allocating NHS resources with better measures of deprivation and unmet need; £1 billion investment through the LIFT programme in primary care; and the Children’s National Service Framework designed to improve standards.²⁶²

283. The Secretary of State for Trade and Industry said :

“My Department does not deliver services focussed upon child poverty. However I am confident that the work we have underway in a variety of areas will disproportionately assist children in poverty stricken households.”²⁶³

284. The letter also referred to: progress in increasing the minimum wage; the action of OFCOM in regulating advertising directed at children and promoting media literacy; the measures to promote work-life balance and new laws covering the right for parents to request flexible working hours; improved maternity pay and the lengthening of maternity leave; and fathers’ right to paternity leave and equivalent adoptive parents rights. Reference was also made to initiatives tackling debt problems and the proposals in the Consumer Credit White Paper to control unfair credit transactions and to improve the support for those who have fallen into debt and improve the free debt advice available. Government policy on over-indebtedness is being reviewed by a Ministerial group which will report in Spring 2004.

285. The Home Office also have a contribution to make to the eradication of child poverty, as they recognise in their written evidence, which states:

“Child poverty is not only about financial deprivation. It is also about poverty of opportunity – children who are denied the chances that others take for granted, and whose adults lives can be blighted by their experience of childhood. Children who grow up in poverty run an increased risk of suffering a range of negative outcomes. For example, they may be at greater risk of becoming involved in anti-social

²⁶¹ Ev 174 (vol III)

²⁶² Ev 184 (vol III)

²⁶³ Ev 172 (vol III)

behaviour, offending, or substance abuse – there is strong evidence that children in poverty are exposed to more of the risk factors that can lead to these outcomes. Exposure to these risk factors, and involvement in crime or drugs itself, can have a devastating effect on children’s prospects as adults. Children of prisoners are a particularly vulnerable group...Children from deprived backgrounds are also likely to have been a victim of crime. This too can have serious consequences for a child’s long-term development and prospects. We know, in particular, that involvement in domestic violence can have a serious effect not just on a family’s financial situation, but also a child’s emotional and psychological development.”

286. Their written evidence goes on to state that delivering race equality is one of their key targets; that they have worked closely with DfES on the consultation paper *Every Child Matters* and on the Children Bill; and they have been actively involved in the Treasury’s Child Poverty Review. Other key policy initiatives include: a Community Cohesion Unit which is working to embed community cohesion in deprived neighbourhoods into mainstream policy; an Anti-Social Behaviour Unit which published a consultation paper, an action plan²⁶⁴ and the Anti-Social Behaviour Act (November 2003); Youth Inclusion Programmes targetting the most ‘at risk’ teenagers to prevent them from offending; parenting programmes working in partnership with Youth Offending Teams and parents of young people engaged in or at risk of anti-social behaviour; and a range of measures to help children in asylum-seeking families and unaccompanied asylum-seeking children.

287. The Office of the Deputy Prime Minister (ODPM) also has an important part to play. The work of the Social Exclusion Unit is important in delivering joined up policies; the Neighbourhood Renewal Unit is responsible for delivering the neighbourhood strategy; and the ODPM is responsible for housing policy and homelessness and the fact that the number of children living in bed and breakfast accommodation is currently at record levels. Shelter in their oral evidence said

“...we would argue that housing is absolutely critical. If you are serious about lifting, people out of child poverty, then you have to do something to tackle housing conditions on a structural level. It would be nice to see some signs coming out of the ODPM that they understood their role in delivery against the child poverty agenda. It is not a noise that we hear coming out of the ODPM at all.”²⁶⁵

288. Programmes delivered by local councils, regeneration agencies or variously configured partnerships are offering services to children which can impact importantly on their quality of life and on the quality of life in poor neighbourhoods generally. A great deal of good work is being done with a number of different objectives – from reducing offending to raising minimum standards of service across a cluster of wards. Yet funding sources are frequently complex and there are differences in criteria and longevity between them. The Committee heard, for example, about the problems which hit the Children Fund this year – which impacted on the ground on hundreds of

²⁶⁴ Home Office, *Respect and Responsibility: Taking a stand against anti-social behaviour*, March 2003; *Together – Tackling Anti-Social Behaviour: the Government’s Action Plan on Anti-Social Behaviour*, October 2003

²⁶⁵ Q 138

not thousands of local initiatives delivering holiday and after-school activities targeting on the neediest children.

289. The Committee recommends that, as part of the policy of mainstreaming child poverty, the Government aim to create coherence and consistency between local funding streams from all government departments which are directed towards children and young people.

290. The Committee recommends that a key feature of the national strategy should include poverty proofing of all departmental policies across Whitehall and the devolved administrations.

The distribution of expenditure on (poor) children

291. Save the Children (UK) gave us access to a very interesting analysis of public expenditure on children undertaken by Tom Sefton covering education, health, social security, social care and housing.²⁶⁶ His conclusions on these areas are summarised in annex 2. The overall conclusion of the Sefton analysis is that overall spending on children has grown by 17-19% in real terms between 1996/97 and 2001/02 and that this is more than the growth in expenditure on pensioners and working adults. He estimates that the spending on poor children (those in families receiving either Income Support or income-related JSA) is on average twice as great as on non poor children. For individual services, in education-spending on poor children is between 1.06 to 1.35 times non poor children; 1.03 to 1.43 times more in health; 1.22 to 4.10 times more in social care and 6.8 to 7.03 more in housing; and 3.66 to 3.75 times more in social security. The analysis also shows that overall spending has become more pro-poor. For example, on average, the difference in spending per child on education between the 10% most deprived authorities and the 10% least deprived authorities has increased from 16% in 1997/98 to 24% in 2003/04.

292. While these results are interesting they are very sensitive to how central allocations to local authorities and health trusts are actually spent on the ground and evidence on this is very thin. There is some evidence that the gearing to poverty in central allocations is not being reflected in the expenditure patterns of local authorities and health trusts. **The Committee recommends that during the course of the next 3 year spending round all departments should monitor the extent to which their central allocations are being used to target child poverty effectively at local level.** The Minister for Children argued that local authorities had to be left with the discretion to use their resources as they thought best:

“...in the end local authorities have to take their own decisions on the money that we allocate to them, and that is again an element in our democratic infrastructure. So if your local authority decides to use its money in a particular way, it is very difficult for us to intervene at the centre. I am not sure it would be right for us to do so. They have to take that decision locally. What we can, and do, do is ensure that the outcomes that we look to for local authorities act as a lever to encourage them to invest appropriately in those children or schools of greatest need...It is partly how

²⁶⁶ Sefton T (forthcoming 2004) *A Fair Share of Welfare: Public Spending on Children in England*. London: Save the Children and the Centre for Analysis of Social Exclusion

you set the targets, partly how you inspect. We do not control it through inputs. We try and control it through outcomes.”²⁶⁷

293. However, this does not mean that we should ignore the distributional consequences of their expenditure.

294. Most of the Sefton analysis covers a period before the period covered by the spending review,²⁶⁸ which covers expenditure in the three-year period 2003/4 to 2005/6. In the period up to 2001 spending on health and education grew in real terms, but fell as a proportion of GDP. The new spending plans envisaged an overall increase of 3.3% per year in real terms over the period and public expenditure as a proportion of GDP will rise from 39.9% in 2002/03 to 41.9 percent in 2005/6. This increase in spending is concentrated on education (7.7% growth), health (7.3% growth) and transport (12.1% growth). Between 2000/1 and 2005/6, education spending will rise from 4.6 to 5.6% of GDP. By 2007/8, it is envisaged that UK health spending will reach 9.4% of GDP – above the current EU average of 8%. While this increase in spending is likely to benefit poor children, it is not necessarily so. For example, the priorities identified for the increased spending on health are mainly concerned with adult health and could result in a relative shift in the gearing of health expenditure away from children.

295. There is also a concern about whether the extra allocated by central government in respect of poverty is enough. Tom Sefton says:

“The outcomes for the poorest children are still very much worse than for children from better off families. Although spending is skewed towards poorer children, more clearly needs to be done to reduce inequalities in income, and in educational, health, and other outcomes. Arguably spending is still not sufficiently skewed towards children with the greatest needs, whilst recognising that higher spending is not the only answer to many problems.”²⁶⁹

296. The *Opportunity For All* health indicators illustrate some of these concerns. For example, the ratio of infant mortality rates per 1000 live births in England and Wales of routine and manual groups is widening not narrowing. The smoking rates among children from 11 to 15 are static. The proportion of teenage parents who are not in education, employment or training increased in 2003 and while the under-18 conception rate fell between 1998 and 2001 it rose in 2002 on the basis of provisional figures. The rate of decline is presently too slow to meet the target (to reduce by 50% the 1998 England under-18 conception rate by 2010, or the interim target of a 15% reduction by 2004). The second Wanless Report published in February 2004 emphasised the need “to shift emphasis from a national sickness service which treats disease to a health service which focuses on preventing it.”²⁷⁰

²⁶⁷ Q 431

²⁶⁸ HM Treasury, *Opportunity and Security for All*, 2002. See also for Scotland: Scottish Executive, *Closing the Opportunity Gap: the Scottish Budget for 2003-2006*, Edinburgh: Scottish Executive, Social Inclusion Division, 2002.

²⁶⁹ Sefton, T. (forthcoming 2004) Executive Summary

²⁷⁰ Wanless, D. (2004) *Securing good health for the whole population: Final report*, HM Treasury/ Department of Health. Para 9.1

297. As we have seen in the 2002 Spending Review the transport budget was provided with the largest increase in expenditure. Transport has recently been the subject of a Social Exclusion Unit report²⁷¹ and is relevant to poverty and social exclusion because those without the use of a car have difficulty accessing employment, education, health and other services, food shops, sporting leisure and cultural activities. People without cars mainly rely on buses. Poor people face physical barriers in accessing buses. In addition, there are problems of frequency, reliability, coverage and cost – bus fares have risen by 30% in the last 20 years and are some of the highest in the EU. Spending on bus route subsidies has fallen by two-thirds since 1985. Overall, transport spending is highly regressive, with better-off road and rail users receiving much more of the benefit of subsidies than worse-off bus users. The SEU report estimated that the lowest income quintile will gain 12% of the total spend of the Government's recent 10 Year Transport Plan, while the highest quintile will gain 38%. Thus transport is an example of the potential for 'poverty-proofing' wider areas of policy, but also the need to follow it through with changes if this is to be meaningful.

298. It would appear, therefore, that the Government has made progress on reducing inequalities in income, education, health and other outcomes for children but needs to do more to skew spending towards children with the greatest needs. There appear to be many relevant, but segmented, activities relating to child poverty within Government that require bringing together to form a coherent strategy. **The Committee recommends that the Government devotes more analytical and organisational effort to coordinate the most relevant activities necessary for the child poverty goals to be achieved.**

271 Social Exclusion Unit, Making the Connections: Transport and social exclusion, 2003.

13 Conclusion

299. The Prime Minister's ambitious stated aspiration in 1999 to abolish child poverty in a generation was the right thing to do. It remains a formidable task, however it is defined, and is rendered all the more daunting by the fact that delivery of the reduction of child poverty, let alone its eradication, does not lie within the Government's control alone.

300. None-the-less, the Government's programme, founded on a welfare to work strategy and aided by a sustained period of economic growth, has clearly delivered considerable successes to date. Relative child poverty has been substantially reduced, starting from a very high rate, and it is now expected that the Government will meet its first important milestone target of reducing poverty by a quarter by the end of 2004.

301. However, the Government's programme will not by itself deliver the child poverty reductions necessary to reach the 2010 goal merely by doing more of the same. A clear focus is now necessary on those areas and those groups which present the greatest challenges to the achievement of the target.

302. The areas include public service improvements in health, education and transport – as well, crucially, as a step change in the availability of affordable, accessible, high quality childcare. The groups include families with disabilities, lone parents and minority ethnic parents who want to work in the labour market but still face greater than normal barriers to the labour market. Furthermore, there will always be other groups of people, such as those with especially severe disabilities, who are permanently beyond the reach of a welfare to work strategy. Increases in benefit and tax credit levels will thus play a part, for this latter group and for others, in ensuring that the Government's target is met and severe and persistent poverty reduced.

303. While it is important to measure ways in which the living standards of poorer people are raised, raising incomes and hitting targets is necessarily a mechanistic process. If child poverty really is to be abolished, the Government's anti-poverty programme must reach beyond raising incomes, and address the human dimension of poverty in a holistic way - increasing good parenting, aiding family stability, raising levels of educational attainment and healthcare and thus boosting children's life chances. Finally, the policies adopted by Ministers across all the legislatures and departments of the UK must be seamless to ensure that the maximum effect is achieved from the extra resources that will be required.

304. The Committee hopes that this report produced some signposts for a road map to 2010 and will shape Government thinking in the current Comprehensive Spending Review deliberations.

Conclusions and recommendations

1. The Committee recommends that a comprehensive UK-wide strategy for reducing child poverty is drawn up and published as part of the forthcoming Spending Review. The strategy should consolidate existing child poverty reduction goals and other PSA targets and establish a clear policy framework to be pursued between now and 2010. (Paragraph 19)
2. The Committee urges the Government to state exactly which measures it will use to define the eradication of child poverty, and how it will use them. It also recommends that the next PSA target for base year 2004-05 should be derived from the 60% of median income after housing costs measure. Using the median income before housing costs figure would mask the true extent of child poverty. (Paragraph 66)
3. The Committee believes that the decision to adopt only the before housing costs measure is mistaken. We believe that the after housing cost statistics remain of huge relevance and should continue to be published. (Paragraph 68)
4. We recommend that the Department seriously considers revising its policy on budget standards with a view to adopting them as a tool for exploring living standards and helping to fix poverty thresholds for the future strategy on child poverty. (Paragraph 74)
5. We agree that a housing needs indicator should be included within the overall measure of child poverty. (Paragraph 80)
6. The Committee recommends that the national strategy on child poverty develops immediate policy initiatives to assist children in severe and persistent poverty and creates an explicit indicator against which progress can be measured. (Paragraph 89)
7. The Committee recommends that the national strategy should earmark new resources to provide for adequate school clothing for all low-income families and that the Government take appropriate action to enable LEAs to provide school clothing grants. (Paragraph 98)
8. The Committee recommends that the national strategy on child poverty should ensure nutritionally balanced school meals are available to all low income families in a stigma-free way. (Paragraph 102)
9. The Committee recommends that the national strategy expands the role of the Social Fund to help tackle severe and persistent child poverty and considers paying child development grants at key stages during the lives of those children in severe and persistent poverty. (Paragraph 114)

10. The Committee recommends that the Government ensures that tax credits administration and policies and procedures on overpayments support the objectives of tackling child poverty and making work pay. (Paragraph 121)

11. The Committee recommends that the Government attaches a greater degree of priority to developing the role of the Social Fund than it does to the Child Trust Fund between now and 2010. (Paragraph 122)

12. The Committee warmly welcomes the additional financial resources allocated in the 2003 PBR to families with children via the child element of Child Tax Credit which, we recognise, should ensure that the 2004-05 target will be met (Paragraph 136)

13. The Committee applauds the innovation and effort that the Department is putting into helping lone parents move into paid work. However we also reiterate the objections made in our Employment Strategy Report to the principle of time-limiting benefits and requiring lone parents to be in paid work as a condition of receiving benefit. (Paragraph 152)

14. We reiterate the recommendation in our Employment For All Report that the Return to Work Credit is welcome but does not need piloting and should be extended nationally as soon as possible. We also recommend that, while undertaking worksearch activities, disabled parents receive free registered childcare in the same way as lone parents; and where a person has found a job through New Deal for Disabled People, we recommend that free childcare is paid for up to one week before they begin work. (Paragraph 158)

15. The Committee recommends that the Chancellor's New Deal for Skills, announced in the Budget, should initially be targetted on those areas with a high proportion of minority ethnic groups. We also recommend that active consideration be given to extending Employment Zones to cover more areas with large minority ethnic communities. (Paragraph 165)

16. We recommend that the national strategy on child poverty should aim for continuity of revenue funding for childcare. (Paragraph 169)

17. The Committee recommends that the roll out of Children's Centres should be extended to reach beyond the 20% most disadvantaged areas of high deprivation outside the 20% most disadvantaged areas. (Paragraph 174)

18. The recent NAO report recommended that more effort be put into recruiting older people into the childcare workforce. The Committee endorses this recommendation. (Paragraph 179)

19. The Committee urges the Government to commission research into the factors contributing to stable parenting and life chances and recommends that the national strategy should consider new initiatives to strengthen family ties. (Paragraph 187)
20. We have been concerned at the reports of threats to services such as crèches, drop-ins and even nurseries as a result of pressures on local authority budgets, and recommend that the Sure Start Unit develops a strategy to ensure that increased provision in one sector is not undermined by the loss of services in another. (Paragraph 195)
21. The Committee recommends that the national strategy should study childminding and parental leave systems operating elsewhere in Europe and consider how to improve provision between now and 2010. (Paragraph 200)
22. The national strategy on child poverty should re-assert the commitment to retain universal child benefit uprated in future to maintain and enhance its real value as one of the foundations of all future support for children. (Paragraph 204)
23. The Committee recommends that the Government undertake further research within the next two years to examine fully the impact of recent and possible future increases in Working Tax Credit and Child Tax Credit on child poverty, severe and persistent child poverty and work incentives. (Paragraph 215)
24. The national strategy for child poverty should consider including additional financial support for large families, either through a new large family premium in Child Tax Credit, or additional premia for all children. (Paragraph 218)
25. The Committee recommends that an immediate rescue plan be mounted to ensure that the Child Support Agency cases are all migrated onto the new system by 30 June 2005, and enforcement actions increased massively by 31 December 2005, with an enforcement system which commands greater confidence amongst parents and the public. (Paragraph 222)
26. To help reach the goal of halving child poverty by 2010, the Committee recommends that support for each of the poorest children – measured on the after housing costs basis – soon be increased by £10 per week. (Paragraph 235)
27. The Committee recommends that special measures are needed to bring Northern Ireland into line with household income levels in other parts of the UK and that Northern Ireland should be included in future PSA targets on child poverty in order to promote consistency and to reduce any distortion in the UK figures. (Paragraph 241)
28. We therefore recommend that the Government review the targetted initiatives that are currently in place and consider whether a universal approach might be more effective in the run-up to the 2010 target. (Paragraph 246)

29. The Committee is persuaded that special measures are needed in Inner London to ensure that the 2010 target will be met. The Committee recommends that the Housing Benefit disregard on earned income be substantially increased in Inner London and the proportion of childcare costs covered by the childcare element of Working Tax Credit be increased to 90% in Inner London. We also recommend that Jobcentre Plus be given additional resources to help minority ethnic groups and lone parents in the capital move into work. (Paragraph 264)

30. The Committee recommends that, as part of the policy of mainstreaming child poverty, the Government aim to create coherence and consistency between local funding streams from all government departments which are directed towards children and young people. (Paragraph 289)

31. The Committee recommends that a key feature of the national strategy should include poverty proofing of all departmental policies across Whitehall and the devolved administrations. (Paragraph 290)

32. The Committee recommends that during the course of the next 3 year spending round all departments should monitor the extent to which their central allocations are being used to target child poverty effectively at local level. (Paragraph 292)

33. The Committee recommends that the Government devotes more analytical and organisational effort to coordinate the most relevant activities necessary for the child poverty goals to be achieved. (Paragraph 298)

Formal Minutes

WEDNESDAY 31 MARCH 2004

Members Present:

Sir Archy Kirkwood, in the Chair

Vera Baird	Mrs Joan Humble
Miss Anne Begg	Rob Marris
Ms Karen Buck	Andrew Selous
Mr Andrew Dismore	Mr Nigel Waterson
Mr Paul Goodman	

The Committee deliberated.

Draft report (Child Poverty in the UK), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Summary read and postponed.

Paragraphs 1 to 12 read and postponed.

Paragraphs 13 to 15 (now paragraphs 1 to 3) read and agreed to.

Paragraph 16 (now paragraph 4) read, amended and agreed to.

Paragraphs 17 and 18 (now paragraphs 5 and 6) read and agreed to.

Postponed paragraphs 1 to 12 read again.

Paragraphs 7 to 9 read, amended and agreed to.

A paragraph – (*Andrew Selous*) – brought up and read as follows

“The truth of the government's assertions in its 1998 publication, "Supporting Families" that 'marriage provides a strong foundation for stable relationships.' and that 'marriage provides the most reliable framework for raising children' are borne out by the evidence provided by J. Ermisch and M. Francesconi (Policy Press 2000) in their publication "Seven years in the lives of British families". Their study showed that whereas 52% of cohabitees had split up within 5 years of the birth of a child, only 25% of couples who married after the birth of their child had split up within 5 years of the birth. Only 8% of couples married before the birth of their child had split up within 5 years of the birth of their child.

Given that 45% of all children in poverty are in lone parent households, whereas the total number of children in lone parent households in the UK is 25%, it is clear that children in lone parent households are much more likely than children in couple households to be living in poverty. It therefore makes sense for the government to do more to help couples stay together and specifically to promote marriage, as "Supporting Families" proposed. It is of course true that financial hardship and debt

are major contributors to relationship breakdown and that increased income through work, tax credits or benefits helps couples stay together. Nevertheless, given that many parents in comfortable circumstances also split up, whose children then become poor, it is important in order to prevent poverty, for all sectors of society, that more preventative and foundation building work that equips people with relationship skills at a much earlier stage is undertaken, than is the case at present. To this end, we are surprised at the DWP's decision to combine first time married couples, cohabiting and step couples into a single reference category of 'couple families' in the DWP's Family and Children study (FACS), with no mention of marital status."

Question put, That the paragraph be read a second time.

The Committee divided.

Ayes, 3

Mr Paul Goodman
Andrew Selous
Mr Nigel Waterson

Noes, 5

Vera Baird
Miss Anne Begg
Mr Andrew Dismore
Mrs Joan Humble
Rob Marris

Paragraphs 4 and 5 (now paras 10 and 11) read, amended and agreed to.

Paragraph 12 read and agreed to.

Paragraph 13 read, amended and agreed to.

A paragraph – (*Rob Marris*) – brought up, read the first and second time and inserted (now paragraph 14)

Paragraph 8 (now paragraph 15) read, amended and agreed to.

Paragraph 9 (now paragraph 16) read and agreed to.

Paragraph 10 (now paragraph 17) read, amended and agreed to.

Paragraph 11 (now paragraph 18) read, and agreed to.

Paragraph 12 (now paragraph 19) read, amended and agreed to.

Paragraphs 1 to 12 inserted following para 18 (now para 19).

Paragraphs 19 to 25 (now paragraphs 20 to 26) read, amended and agreed to.

Paragraphs 26 and 27 (now paragraphs 27 and 28) read and agreed to.

Paragraph 28 (now paragraph 29) read, amended and agreed to.

Paragraph 29 (now paragraph 30) read and agreed to.

Paragraph 30 (now paragraph 31) read, amended and divided. (now paragraphs 31 to 34)

Paragraph 31 (now paragraph 35) read and agreed to.

Paragraph 32 (now paragraph 36) read, amended and agreed to.

Paragraphs 33 to 37 (now paragraphs 37 to 41) read and agreed to.

Paragraph 38 (now paragraph 42) read, as follows:

“The Committee agrees that tackling child poverty in lone parent households through helping lone parents move into work is the right approach. We also endorse the suggestion made by Sue Middleton that families in transition need adequate income and benefits to ensure they can protect their children from poverty. We will return to the issue of parenting in section 9.”

Amendment proposed in line 2 after the word “work” to insert the words “when they choose to do so”. – (*Mr Paul Goodman*)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 4

Noes, 5

Mr Paul Goodman
Rob Marris
Andrew Selous
Mr Nigel Waterson

Vera Baird
Miss Anne Begg
Miss Karen Buck
Mr Andrew Dismore
Mrs Joan Humble

Paragraphs 39 to 61 (now paragraphs 43 to 65) read and agreed to.

Paragraphs 62 to 64 (now paragraphs 66 to 68) read, amended and agreed to.

Paragraph 65 (now paragraph 69) read and agreed to.

Paragraph 66 (now paragraph 70) read, amended and agreed to.

Paragraphs 67 and 68 (now paragraphs 71 and 72) read and agreed to.

Paragraphs 69 and 70 (now paragraphs 73 and 74) read, amended and agreed to.

Paragraphs 71 to 75 (now paragraphs 75 to 79) read and agreed to.

A paragraph – (*Ms Karen Buck*) – brought up, read the first and second time and inserted (now paragraph 80).

Paragraphs 76 to 88 (now paragraphs 81 to 93) read and agreed to.

Paragraph 89 (now paragraph 94) read as follows:

“This research provides a snapshot of children’s lives as lived in poverty and social exclusion and highlights the reasons why poverty reduction and, eventually,

eradication is so important for children in terms of short-term outcomes as well as in the long-term.”

Amendment proposed in line 3 after the word “eradication” to insert the words

“in the sense of having a material deprivation child poverty rate approaching zero” – (*Mr Paul Goodman*)

The Committee divided,

Ayes, 3

Mr Paul Goodman
Andrew Selous
M Nigel Waterson

Noes, 6

Vera Baird
Miss Anne Begg
Miss Karen Buck
Mr Andrew Dismore
Mrs Joan Humble
Rob Marris

Paragraphs 90 to 92 (now paragraphs 95 to 97) read and agreed to.

Paragraph 93 (now paragraph 98) read, amended and agreed to.

Paragraphs 94 to 96 (now paragraphs 99 to 101) read and agreed to.

Paragraphs 97 and 98 (now paragraphs 102 and 103) read, amended and agreed to.

Paragraphs 99 to 104 (now paragraphs 104 to 109) read and agreed to.

Paragraph 105 (now paragraph 110) read, amended and agreed to.

Paragraphs 106 to 108 (now paragraphs 111 to 113) read and agreed to.

Paragraphs 109 and 110 (now paragraphs 114 and 115) read, amended and agreed to.

Paragraph 111 (now paragraph 116) read and agreed to.

Paragraph 112 (now paragraph 117) read, amended and agreed to.

Paragraph 113 (now paragraph 118) read and agreed to.

Paragraph 114 read and divided (now paragraphs 119 and 120)

Paragraph 115 (now paragraph 121) read, amended and agreed to.

Paragraph 116 (now paragraph 122) read as follows:

“The Child Trust Fund is a new development in the ‘asset-based welfare’ strand of policy. All children born after September 2002 will receive an endowment which will be invested and which the child can access at the age of 18. Possible further endowments will be paid at certain ages and children in low-income families will receive higher payments. The Child Trust Fund is sometimes mentioned as part of the anti-poverty strategy, in spite of the long-term nature of the initiative yet, as

NCH states, "...it is worth noting that the benefits will not come to fruition until around the Government's target date to eradicate child poverty." CPAG argues that the introduction of the Child Trust Fund is less of a priority than, for example, reform of the Social Fund. The Committee recommends that the Government attaches the same degree of priority to developing the role of the Social Fund as it does to the Child Trust Fund between now and 2010."

Amendment proposed in line 8 after the word "poverty" to insert the words

"There are also concerns that since money invested in child trust funds cannot be withdrawn until children reach the age of 18, the scheme may be of benefit to richer rather than poorer people, since poorer people are more likely to need speedy access to savings in times of hardship" – (*Mr Paul Goodman*)

The Committee divided.

Ayes, 3

Mr Paul Goodman
Andrew Selous
Mr Nigel Waterson

Noes, 6

Vera Baird
Miss Anne Begg
Miss Karen Buck
Mr Andrew Dismore
Mrs Joan Humble
Rob Marris

Other Amendments made

Paragraph 117 (now paragraph 123) read and agreed to.

Paragraphs 118 and 119 (now paragraphs 124 and 125) read, amended and agreed to.

Paragraphs 120 to 125 (now paragraphs 126 and 131) read and agreed to.

Paragraph 126 (now paragraph 132) read, amended and agreed to.

Paragraphs 127 to 133 (now paragraphs 133 to 139) read and agreed to.

Paragraph 134 (now paragraph 140) read, as follows

"Thus, according to Sutherland et al the policy changes have reduced the number of children in poverty by about 1.3 million. How far child poverty actually falls depends on many other changes in population structure and in employment and earnings. Crucial to changes in poverty is the effect of rising incomes on median incomes, and consequently on the poverty line. It remains to be seen how far changes in child poverty will have been the result of policy changes and how far the product of other changes."

Amendment proposed in line 5 to delete the words from "It remains" to end of sentence and insert

“It may be impossible ever result of policy changes, such as tax credits, and to what extent the product of other changes, such as the performance of the economy. This is why the Secretary of State for Work and Pensions replied, when asked while giving oral evidence to the enquiry what contribution to meeting the 2010 target would be made by employment growth and benefit and tax credit increases, that he could not extract even a “ballpark figure” from his officials.” – *(Mr Paul Goodman)*

The Committee divided.

Ayes, 3

Mr Paul Goodman
Andrew Selous
Mr Nigel Waterson

Noes, 5

Vera Baird
Miss Anne Begg
Miss Karen Buck
Mr Andrew Dismore
Mrs Joan Humble

Paragraph 135 (now paragraph 141) read and agreed to.

Paragraph 136 (now paragraph 142) read, amended and agreed to.

Paragraphs 137 to 139 (now paragraphs 143 to 145) read and agreed to.

Paragraph 140 (now paragraph 146) read, amended and agreed to.

Paragraphs 141 and 142 (now paragraphs 147 and 148) read and agreed to.

Paragraphs 143 and 144 (now paragraph 149 and 150) read, amended and agreed to.

Paragraph 145 (now paragraph 151) read and agreed to.

Paragraph 146 (now paragraph 152) read as follows:

“The Committee applauds the innovation and effort that the Department is putting into helping lone parents move into paid work. But we also reiterate the objections made in our Employment Strategy Report to the principle of time-limiting benefits and requiring lone parents to work as a condition of receiving benefit. “

Amendment proposed in line 2 to delete the word “But” and insert

“However, we believe that it is hard to reconcile the Government target which seeks to place 70 per cent of lone parents into work by 2010 with full childcare choice for the parents of very young children, who may wish to provide this childcare at home themselves. We therefore urge the Government to reconsider whether this target is genuinely reconcilable with parental childcare choice.” – *(Mr Paul Goodman)*

The Committee divided.

Ayes, 3

Mr Paul Goodman
Andrew Selous
Mr Nigel Waterson

Noes, 6

Vera Baird
Miss Anne Begg
Miss Karen Buck
Mr Andrew Dismore
Mrs Joan Humble
Rob Marris

Other Amendments made

Paragraph 147 (now paragraph 153) read, amended and agreed to.

Paragraphs 148 to 151 (now paragraph 154 to 157) read and agreed to.

Paragraph 152 (now paragraph 158) read, amended and agreed to.

Paragraphs 153 to 158 (now paragraph 159 to 164) read and agreed to.

Paragraphs 159 and 160 (now paragraphs 165 and 166) read, amended and agreed to

Paragraphs 161 and 162 (now paragraphs 167 and 168) read and agreed to.

Paragraph 163 (now paragraph 169) read, amended and agreed to.

Paragraphs 164 and 165 (now paragraphs 170 and 171) read and agreed to.

Paragraph 166 (now paragraph 172) read, amended and agreed to.

Paragraph 167 (now paragraph 173) read and agreed to.

Paragraph 168 (now paragraph 174) read, amended and agreed to.

Paragraphs 169 to 172 (now paragraphs 175 to 178) read and agreed to.

Paragraph 173 (now paragraph 179) read, amended and agreed to.

Paragraph 174 (now paragraph 180) read and agreed to.

Paragraph 175 (now paragraph 181) read, amended and agreed to.

Paragraphs 176 to 178 (now paragraphs 182 to 184) read and agreed to.

Paragraphs – (*Mr Paul Goodman*) – brought up, read the first and second time and inserted (now paragraphs 185 to 189)

Paragraph 179 (now paragraph 190) read, amended and agreed to.

Paragraphs 180 to 183 (now paragraphs 191 to 194) read and agreed to.

A Paragraph – (*Ms Karen Buck*) – brought up, read the first and second time, amended and inserted (now paragraph 195)

Paragraph 184 (now paragraph 196) read, amended and agreed to.

Paragraph 185 (now paragraph 197) read and agreed to.

Paragraphs 186 to 188 (now paragraphs 198 to 200) read, amended and agreed to.

Paragraphs 189 and 190 (now paragraphs 201 and 202) read and agreed to.

Paragraphs 191 and 192 (now paragraphs 203 and 204) read, amended and agreed to.

Paragraphs 193 to 201 (now paragraphs 205 to 213) read and agreed to.

Paragraphs 202 to 204 (now paragraphs 214 to 216) read, amended and agreed to.

Paragraph 205 (now paragraph 217) read and agreed to.

Paragraph 206 (now paragraph 218) read, amended and agreed to.

Paragraphs 207 to 209 (now paragraphs 219 to 221) read and agreed to.

Paragraph 210 (now paragraph 222) read, amended and agreed to.

Paragraphs 211 to 223 (now paragraphs 223 to 235) read and agreed to.

Paragraphs 224 to 226 (now paragraphs 236 to 238) read, amended and agreed to.

Paragraphs 227 to 229 (now paragraphs 239 to 241) read and agreed to.

Paragraphs 230 to 232 (now paragraphs 242 to 244) read, amended and agreed to.

Paragraphs 233 and 234 (now paragraphs 245 and 246) read and agreed to.

Paragraph 235 (now paragraph 247) read, amended and agreed to.

Paragraphs 236 to 243 (now paragraphs 248 to 255) read and agreed to.

Paragraph 244 (now paragraph 256) read, amended and agreed to.

Paragraph 245 (now paragraph 257) read and agreed to.

Paragraphs – (*Mr Andrew Dismore*) brought up and read the first and second time, amended and inserted (now paragraphs 258 and 259)

Paragraphs 246 to 248 (now paragraphs 260 to 262) read and agreed to.

Paragraph 249 (now paragraph 263) read, amended and agreed to.

Paragraph 250 read as follows:

“The Committee is persuaded that special measures are needed in London to ensure that the 2010 target will be met. The Committee recommends that the Housing Benefit disregard on earned income be substantially increased in London and the proportion of childcare costs covered by the childcare element of Working Tax Credit be increased to 90% in London. We also recommend that Jobcentre Plus be given additional resources to help minority ethnic groups in the capital move into work.”

An Amendment proposed in line 3 after the word “ London” to insert the words “and other areas where costs are especially high” – (*Mr Paul Goodman*)

The Committee divided.

Ayes, 2

Noes, 3

Mr Paul Goodman
Andrew Selous

Miss Anne Begg
Mrs Joan Humble
Rob Marris

Other amendments made

Paragraphs 251 to 259 (now paragraphs 265 to 273) read and agreed to.

Paragraph 260 (now paragraph 274) read, amended and agreed to.

Paragraphs 261 and 262 (now paragraphs 275 and 276) read and agreed to.

Paragraph 263 (now paragraph 277) read, amended and agreed to.

Paragraphs 264 to 270 (now paragraphs 278 to 284) read and agreed to.

Paragraph 271 (now paragraph 285) read, amended divided and agreed to (now paragraphs 285 and 286)

Paragraph 272 (now paragraph 287) read and agreed to.

Paragraphs – (*Ms Karen Buck*) – brought up and read the first and second time and inserted (now paragraphs 288 and 289).

Paragraph 273 (now paragraph 290) read, amended and agreed to.

Paragraphs 274 to 280 (now paragraphs 291 to 297) read and agreed to.

Paragraph 281 (now paragraph 298) read, amended and agreed to.

Paragraphs – (*Mr Paul Goodman*) brought up, read the first and second time, amended and inserted (now paragraphs 299 to 304).

Paragraphs 282 to 285 read as follows

“The Government’s programme, aided by a sustained period of economic growth, and founded on a welfare to work strategy has worked so far but it cannot by itself deliver the child poverty reductions necessary for the 2010 goal to be reached by merely doing more of the same. A clear focus is now necessary in those areas where the achievement of the targets is most challenging. Public service improvements in health, education and transport are all going to play a part along with increases in benefit and tax credit levels to ensure that the Government’s aspirations are met.

In the short term a step change in the availability of affordable, accessible, high quality childcare is the most effective way to continue to support the existing welfare to work strategy. But in the course of the next three years, specific focussed policy

and resources are needed to deal with severe and persistent poverty, the problems facing families with disabilities, lone parents and minority ethnic parents who all still face greater than normal barriers to the labour market. And finally the policies adopted by ministers across all the legislatures and departments of the UK must be seamless to ensure that the maximum effect is achieved from the extra resources that will be required.

The Committee hopes this report produces some signposts on the road map to 2010 and will shape Government thinking in the current Comprehensive Spending Review deliberations.”

Paragraphs disagreed to.

An Annexe amended and agreed to.

Annexes agreed to.

Resolved, That the Report as amended, be the Second Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select committees (reports)) be applied to the Report.

Several Papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House – (*The Chairman.*)

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Holly Sutherland , Microsimulation Unit, Cambridge University, Mike Brewer and Alissa Goodman , Institute of Fiscal Studies, Don Draper and Leonard Beighton , CARE	Ev 44
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Nicholas Holgate and Helen John , HM Treasury	Ev 57
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Rt Hon Margaret Hodge MP , Minister for Children, Young People and Families	Ev 71
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Annex 1

Table 1: Opportunity for All Indicators for Children and Young People

% children living in workless households	17.9 (1997)	17.9 (1998)	17.3 (1999)	15.6 (2000)	15.2 (2001)	15.8 (2002)	15.2 (2003)
% children living in households with income below 60% of the contemporary median before housing costs	26 (1996/97)	25 (1997/98)	24 (1998/99)	23 (1999/00)	21 (2000/01)	21 (2001/02)	21 (2002/03)
% children living in households with income below 60% of the median after housing costs	34 (1996/97)	33 (1997/98)	33 (1998/99)	32 (1999/00)	31 (2000/01)	30 (2001/02)	28 (2002/03)
% children living in households with income below 60% of the 1996/97 median held constant in real terms before housing costs	26 (1996/97)	24 (1997/98)	22 (1998/99)	19 (1999/00)	16 (2000/01)	12 (2001/02)	12 (2002/03)
% children living in households with income below 60% of the 1996/97 median held constant in real terms after housing costs.	34 (1996/97)	32 (1997/98)	31 (1998/99)	28 (1999/00)	24 (2000/01)	20 (2001/02)	17 (2002/03)
% of children experiencing persistent low income – below 60% median household income in at least 3 out of 4 years	20 (1991/94)	16 (1994/97)	16 (1995/98)	16 (1996/99)	17 (1997/00)	16 (1998-01)	
% children experiencing persistent low income – below 70% median household income – in at least 3 out of 4 years	30 (1991/94)	26 (1994/97)	26 (1995/98)	26 (1996/99)	26 (1997/00)	25 (1998-01)	
% of 7-year-old children in Sure Start areas achieving Key Stage 1 Reading/writing/maths tests					75/77/85 (2000)	76/78/86 (2001)	76/78/86 (2002)
% of those aged 11 achieving level 4 or above in Key Stage 2 tests for literacy	63 (1997)	65 (1998)	71 (1999)	75 (2000)	75 (2001)	75 (2002)	75 (2003)
% of those aged 11 achieving level 4 or above in Key Stage 2 tests for numeracy	62 (1997)	59 (1998)	69 (1999)	72 (2000)	71 (2001)	73 (2002)	73 (2003)
% of 16-year-olds with at least one GCSE A*-C	44.5 (1996)	45.1 (1997)	46.3 (1998)	47.9 (1999)	49.2 (2000)	50.0 (2001)	51.6 (2002)
% of 19-year-olds with at least a level 2 qualification or equivalent	79.7 (1996)	72.3 (1997)	73.9 (1998)	74.9 (1999)	75.3 (2000)	74.8 (2001)	74.8 (2002)
% attendances in schools (England)	92.4 (1995/96)	92.8 (1996/97)	92.7 (1997/98)	92.9 (1998/99)	93.2 (1999/00)	92.7 (2000/01)	93.0 (2001/02)

% of children who live in a home which falls below the set standard of decency	43 (1996)					30 (2001)	
Admission rates (per 1,000) to hospital as a result of an unintentional injury resulting in a stay of longer than 3 days for children aged under 16	1.22 (1996/97)	1.14 (1997/98)	1.03 (1998/99)	1.04 (1999/00)	0.94 (2001/01)	0.95 (2001/02)	
% of 16–18-year-olds in learning	76.3 (1996)	74.9 (1997)	74.8 (1998)	75.4 (1999)	75.4 (2000)	75.5 (2001)	
% of young people leaving care with one of more GCSE (grade A*-) or a vocational qualification				7.3 (1999/00)		7.5 (2001/02)	
Under 18 conception rates per 1,000 aged 15-17	45.9 (1996)	45.8 (1997)	47.0 (1998)	45.3 (1999)	43.8 (2000)	42.3 (2001)	42.6 (2002)
% of teenage parents who are not in education, employment or training	84.2 (1997)	72.9 (1998)	73.6 (1999)	68.9 (2000)	70.3 (2001)	66.5 (2002)	73.3 (2003)
% re-registered on the child protection register		19 (1997/98)	15 (1998/99)	14 (1999/00)	14 (2000/01)		
Ration of infant mortality rates per 1000 live births in England and Wales of routine and manual groups/all	1.15 (1994-96)	1.14 (1995-97)	1.12 (1996-98)	1.13 (1997-99)	1.14 (1998-00)	1.17 (1999-01)	
Smoking rates During pregnancy					19 (2000)		
Among children 11-15	13 (1996)		11 (1998)	9 (1999)	10 (2000)	10 (2001)	10 (2002)

Source: DWP (2003)²⁷²

Table 2: Comparison of equivalence scales

	McClements scale before housing costs	Modified OECD scale
First adult	0.61	0.67
Second adult	0.39	0.33
Each dependant child aged 0-1	0.09	0.20
Each dependant child aged 2-4	0.18	0.20
Each dependant child aged 5-7	0.21	0.20
Each dependant child aged 8-10	0.23	0.20
Each dependant child aged 11-12	0.25	0.20
Each dependant child aged 13-15	0.27	0.20
Each dependant child aged 14-15	0.27	0.33
Each dependant child aged 16 or over	0.36	0.33

²⁷² Department for Work and Pensions (2003) *Opportunity for All Fifth Annual Report*, CM. 5956, London: Stationary Office

Annex 2

Summary of Tom Sefton's work

Education

- Spending on school and pre-school education increased by 38% in real terms between 1996-7 and 2002-03. This is greater than the rise in overall government spending over the same period.
- Spending has increased fastest for the under 5s.
- The allocation of resources to local authorities for schools is geared to areas with high deprivation and education authorities are expected to pass at least 85% of that on to schools using a formula agreed by government and with a slight gearing to social needs.
- A growing part of the schools budget (around 16%) is set aside for central initiatives – mostly for the Standards Fund but also Education Action Zones, Excellence in Cities programme and these are geared to deprived areas.
- Overall spending in the 10% most deprived areas is on average 24% more than spending in ten% least deprived areas – though part of this is a London effect through the Area Cost Adjustment. This estimate (for 2003 –04) takes account of the switch to Formula Spending Shares (FSS).
- As a result of being more responsive to social needs and because an increasing share of the budget has been channelled through special initiatives, Education spending has become more skewed towards the poorer areas since 1997/98.
- In 2002-3, local authorities on average set their education spending about 10% higher than the government central allocation (known as the Standard Spending Assessment until 2003/4). However “although there is quite a lot of variation between individual authorities, **there is a clear tendency for authorities in the more deprived areas to spend less on education relative to their SSA than authorities in less deprived areas.**” One reason for this may be that poorer areas are more constrained in their budgets. Another reason maybe that local authorities' allocation formula to schools is less geared to deprivation than central government's allocation to local authorities and this may be partly because of lower staying on rates after age 16 by poor children.
- Perhaps more importantly, changes to the national funding formulae for education will have had little impact on the amount spent on poor children in the absence of more effective mechanisms at the local level to ensure that additional funding reaches the poorest children within each authority. There is an apparent inconsistency in the current system of funding. Also, local funding formulae for schools generally give less weight to social needs than the national funding formula.

- There is very little evidence of what priority schools give to poverty in their allocation of the resources they receive. However evidence from Dr Tess Ridge stated:

“Children experienced social exclusion from school trips and other shared activities. They also reported difficulties in paying for school uniforms, providing materials for exam projects and finding general school equipment. Schools were manifestly failing to provide these children with an enriching and socially inclusive environment. Children’s accounts revealed the dangers of being excluded *within* school. ...Children in the study were fearful of social detachment and stigma.”²⁷³

Health

- Spending is mainly determined by need, which is mainly determined by the demographic composition of the local population.
- Between 1996/97 and 2000/01 health spending per capita on pre school children rose by 40% in real terms - well above average, while spending on school age children fell by 8% in real terms (according to the Department of Health’s own published estimates).
- The NHS priorities tend to be concerned with conditions, such as mental health, heart disease and cancers, that affect older people. But there is also some evidence that children’s health has been improving relative to adults.
- The funding formula is also related to “additional needs”, either an index of deprivation or indicators such as low birth-weight which are related to deprivation. The result of this is that, for example, spending on the 10% most deprived Primary Care Trusts in 2003/4 was 38% higher than the 10% least deprived.
- It is probable that health care spending has become more skewed to deprived areas since 1997.
- However, higher levels of funding for poorer areas, does not necessarily mean that proportionately more is spent on poor children.
- Survey evidence suggest that children from poor households are more likely to report general health problems, and so they may be using fewer health resources in comparison with their needs than children from better-off families.

Social Services

- Spending on social services increased by 27% in real terms between 1996/97 and 2000/01, and spending on children’s services increased slightly more than this. This is despite the fact that central government’s allocation to local authorities for children’s services fell by 3% in real terms during the period.

- Spending on children's services is heavily weighted to poor children.
- Central government allocation to local authorities is geared to a range of indicators of child poverty, including the prevalence of lone parent families and children on Income Support.
- Spending on children's services in the 10% most deprived local authorities is about two and half times the spending in the least deprived local authorities. However, since 1998/99 there appears to have been some narrowing in the differential.
- How local authorities decide to allocate expenditure is up to them, and the overall picture is complicated by the Area Cost Adjustment, which benefits London and the South East.
- Spending per looked after child gives an indication of local authorities decisions. There is considerable variation, the extent to which seems hard to justify.

Housing

- Housing subsidies, direct and indirect, were a very targeted form of help to low income families.
- Families with children received much more subsidy than other households in 2000/01.
- Poor households with children received much higher subsidies.
- The value of housing subsidies fell between 1996/97 and 2000/01, although the abolition of MIRAS mainly affected better off households. The poorest households were receiving only marginally less, on average, than at the beginning of this period. The value of subsidies may have fallen further since then as working families with children have been lifted out of entitlement to Housing Benefit by tax credits.

Targetted Initiatives²⁷⁴

- Targetted initiatives have grown since 1997 but make up only about 5% of the total welfare spend on children.

²⁷⁴ These include:

Early years: Surestart local programme, Neighbourhood Nurseries initiative, NOF's Out of School Programme/ Neighbourhood Childcare Initiative, Early Excellence Centres, Child Trust Fund, Sure Start Maternity Grant.

Education: Excellence in Cities, Behaviour Improvement Project (BIP), Education Action Zones, Pupil Learning Credits, Vulnerable Children's Grant, Educational Maintenance Allowance (EMA)

Health: Welfare Food Scheme, National School Fruit Scheme, Five-a-day local communities initiatives, Teenage Pregnancy Strategy, Brushing for Life.

Other: Children's Fund, Local Network Fund, Parenting Fund, Family Support Grant, Connexions Service, Positive Activities, Youth Inclusion Programme, Warm Front.

- However by definition they are of more importance to poor children (especially pre-school children) because they are means-tested, or targeted to children living in deprived areas.
- The problem with these initiatives is that they often involve matched funding from local authorities, which takes away from mainstream services. They also tend to demand partnerships or other collaborative working which is heavy on staff time. In the cross-cutting review of spending on child poverty in Scotland Convention of Scottish Local Authorities (COSLA) were particularly critical of these central initiatives.

Annex 3

Notes of the Visit to France and Denmark

PARIS

Monday 1 December

Ambassador's briefing

The current economic situation was “flat” with a gloomy angst-ridden atmosphere leading to doubt about the future. There was a general unemployment rate of 9 – 11% with youth unemployment as high as 23%. There was resistance to change, but reform of pension system was under way with the aim of reducing expectations.

The Government was unpopular following a summer heatwave which had resulted in 15,000 deaths. The socialist Party was still recovering from electoral defeat and it was thought that extremist parties might gain in the forthcoming regional elections. President Chirac, as an international figure, remained aloof from domestic politics. Ethnic minority people totalled some 5-6m.

On foreign policy the Iraq war had been unpopular in France. There had been problems with compliance with EU rules. The Anglo/French relationship had survived well in spite of differences over the Iraq war. Chirac would probably refuse a referendum on the new EU constitution.

(Frances Hooper) There had been an increase in social exclusion. France aimed at a holistic approach to tackle poverty using measures to help with housing problems, finding work, health, holidays, a guaranteed minimum wage and improved education. Child Poverty was tackled via general anti-poverty strategy, but first steps were being taken in measurement. There was encouragement to increase the birth rate.

Childcare responsibility is split between National and local government. Central Government responsibilities were shared between Ministries for Social Affairs; Social Exclusion; Family; and Disabled.

Expenditure on Childcare for 0-3 year olds was €1bn or €800 per child pa on a sliding scale. €50m was being spent to increase the status of childminders. A Social Inclusion Act had extended the coverage of healthcare to everyone. Education policies were aimed at fighting illiteracy and social exclusion. There was greater emphasis on encouraging return to work, a minimum hourly wage of €7 and a 35 hour working week. Similar problems were experienced with the French equivalent of Incapacity Benefit: few disabled people work.

Representatives from the National Institute of Statistics and Economic Studies (INSEE); Council for Employment, Income and Social Cohesion (CERC); and Institute for Social and Economic Research (IRES)

Extracts from Slide Presentation

Median monthly disposable income per equivalent adult is 1100 euros.

		Poverty Rate
Poverty Threshold 60%	2 Million Children	15.7%
Poverty Threshold 50%	1 Million Children	7.8%
Poverty Threshold 40%	400 000 Children	2.2%

Year 1999

Poverty risk is higher for children than for the whole population

	Threshold 50%	Threshold 60%
Children	7.8	15.7
All	6.5	12.6
Excluding > 65 years	7.1	13.1

Source: Insee-Enquête revenus fiscaux

Child poverty is higher in lone parent families and in two parent families with 4 children or more

Threshold	Lone Parent Families	1 Child	2 Parents 2 Children	Families with 3 Children	4 Children or more
50%					
Structure	23	10	24	16	27
Poverty Rate	14,3	4,8	4,8	5,4	17,3
Threshold 60%					
Structure	24	8	23	19	25
Poverty Rate	29,9	8,5	9,4	12,4	32,9

In two parents families with 1 to 3 children the poverty rate is lower than in the whole population

Poverty rate Threshold 50%	all	European Union citizens	Non E.U citizens
all	7,8	6,3	25,9
Number of children less than 18			
One child	6,8	5,9	25,8
Two children	6,4	5,4	25,4
Three children	7,8	6,2	21,3
Four or more children	17,1	12,7	31,2
Family Type and employment			
Lone parent with a job	7,2	6,4	23,4
Unemployed lone parent	27,8	26,7	36,5
Couple, two jobs	1,9	1,8	7,8
Couple, one job	8,3	6,7	20,3
Couple, no job	44,1	41,2	50,2
Qualification/Diploma			
Without any diploma	16,7	13,8	28,6
BEPC, CAP, BEP	5,4	5,1	17,6
Bac (A-level)	4,9	3,8	25,0
Bac + 2 and more	2,2	1,7	17,1

In France, child poverty results mainly from the underemployment in families with children

- Underemployment is for all households the main source of poverty

- For families with children there is an additional problem: child care
- For lone parent families childcare explains the higher risk of poverty
- For families with 4 or more children, some other factors contribute also to the high risk of poverty: low qualifications are more frequent, and/or this type of family is more often immigrants from non European Union Countries.

Policy Issues

- Unlike the UK, there is no explicit strategy to reduce child poverty (see for example the French NAPincl) and there is no special unit dealing with this problem.
- Measuring child poverty and studying its consequence on future outcomes is at the beginning.
- Lack of longitudinal panels.
- When policies are decentralised to local authorities, little information is available on implementation.
- Assessing social policies is less developed in France than in the UK, especially in this field.

A report on child poverty in France is to be published in February 2004. As part of their work they are very interested in the UK fight against child poverty. On European comparisons it was pointed out that although countries may measure poverty differently, the UK has the highest child poverty rate in the EU, whether measured using Eurostat figures or on UK statistics. One of the points that France and the UK share is that they both have a higher child poverty rate than the general poverty rate, whereas countries such as Denmark have lower child poverty rates than an already low general poverty rate. The poverty measure of below 60% of median income is useful although when looking at international comparisons it is important to explore and compare other measures of poverty.

In France, the child benefit package is based on universal support with a young child's allowance and a single parents' allowance payable until the child is 3 years old. Means-tested elements of the child benefit package tend to be related to low-income or for large families. 600,000 children are living in families claiming RMI (the Income Support equivalent) and 270,000 children are in families claiming lone parent benefits. This is roughly equivalent to the figure of 1 million children in France living in poverty (as defined using the below 50% median income measure). A further 700,000 children live just above the poverty threshold. When RMI was first introduced it was set at a level designed to be far enough away from the National Minimum Wage level to encourage claimants to move into paid work.

France does not have a tradition of measuring poverty levels as the UK does and there is no public discussion or consensus on poverty measurement. The first time any attempt was made to measure poverty was in 1990. France does not have an official poverty line.

It is not known whether there is a problem in France, as in the UK, with non take-up of means-tested benefits. Also, the French Government does not commission evaluation programmes of specific policies, as often happens in the UK.

Since the 1990s, poverty in France has become more connected with employment and low wages. It is claimed that social security provision has narrowed in recent years and benefit levels have decreased. Currently only half of those who are unemployed receive unemployment benefits.

Deputy Mayor of Paris

Poverty was a pan-European problem and was difficult to measure. Some 10-15% of French households were poor; the unemployed were poorly paid. Poverty was aggravated by housing problems. Wages were some 30% higher in Paris, but there were pockets of poverty, especially in the NE of the city. For example in the St Denis area 25% of families lived in poverty. One third of poor children lived in single-parent households. 75-80% of women in Paris worked but were typically less well-paid and in insecure jobs. There were 50,000 to 80,000 who were very poor and homeless in France of whom some 30,000 were in the Paris region. 100,000 people were seeking homes in the region while only 3,500 apartments were being built each year. There were 1,500 evictions per year in Paris and a Housing Solidarity Fund had been set up, spending some €20m pa to assist family solvency. Unemployment was 11% with a higher percentage amongst those aged over 50. 50,000 people Parisians benefit from the RMI (minimum income guarantee).

Universal healthcare was now provided, medical healthcare for foreigners. Lead related illness was prevalent and there were plans to demolish badly affected buildings in order to protect young children. Since the Sangatte Centre had closed more asylum seekers had arrived in the Paris region. Increasing numbers of children arrive, without parents, from East Europe, Africa, India and China.

Paris regional and local authorities provided €130m pa in addition to state benefits. Housing Allowance totalled €20m pa; single parent assistance €5m; childcare €12m (aimed at creating crèches and daycare centres); support for meeting public utility costs; assistance for holidays. There were 340,000 children in Paris of whom 10,000 live in difficult conditions. The local authority had 64 teams assisting children, including 290 specialist leaders. There were 29 Social Centres aimed at increasing literacy skills. 60 Associations who help were supported financially and some children were funded at boarding schools.

Special Centres including lodging are provided for homeless 16-25 year olds. The Housing policy was aimed at keeping young people in Paris. There was assistance with housing costs, but no system to monitor or control landlords. Attempts were being made to increase supply of council housing, intermediate housing. It was thought that there was not much fraud. Universal housing assistance had been proposed, but not yet implemented. Housing costs were typically 25-33% of family budgets

OECD

OECD researchers are now working on 2000 data to provide more up-to-date findings on poverty. A key issue being addressed is poverty in families with working adults. The UK

has a high incidence of non-work which has a detrimental effect on child poverty rates. The high proportion of lone parent households also affects the child poverty rate in the UK. When compared to other countries, the UK does have a high rate of persistent poverty.

International comparisons of child poverty rates are useful, although the figures might not be as reliable as national figures of poverty.

Minimum Income Standards (MIS) are set in some countries, eg, Switzerland, Australia and Canada. Minimum Income Standards can result in a higher poverty line and reflect society's expectations. The US is probably the most prominent OECD country using a MIS, which now is equivalent to 25% of median income. The average income level which is arrived at using MIS is around 70% of average income. People living in poverty tend to define the poverty line lower than the average person on the street.

Countries that spend more on poverty tend to spend more on employment. In the UK, the additional spending on education and Sure Start is a positive move. It was claimed that a move away from what social policy does for people who are out of work is needed and more needs to be done to help those who are in work.

CNAF

CNAF were responsible for paying social protection benefits and were administered by a Board of Directors composed of Trade Unions and Employers' Associations. Benefits were divided amongst four categories: Retirement; Healthcare; Accidents; and Families. €50m pa was paid to families; there was a total of €2bn tax exemption for children, €65bn for family provision – some 5% of GDP. France and Ireland were top of the fertility rates in the EU. Families with 2 children received €110 per month and €150 for each additional child.

RMI was paid to 1m people (2m including dependents) who were over 25years and without income. Single-parent families comprised 20% of all families. There was a benefit for isolated parents of €600 per month which was not means tested. Child poverty was not considered a social problem until the mid 1990s. A major conference had been held 2years ago. The trend is towards means-testing of benefits. There were 1m poor children in families at 50% of median income; 1.6m at 60%. The poverty rate in France was 6.5%; child poverty rate was 8%. There is local discretion of 5% in payment benefits. Larger families receive greater tax exemption; half of households do not pay income tax.

€4bn pa was spent on individual childcare (eg nannies); €1bn on crèches (covering 10% of children). 50% of children stay at home. It is known that some paid 'nannies' are grandparents.

The benefits cost 3% to administer by CNAF. Simplification of benefits was a goal but the trend was to more complexity.

Ministry of Social Affairs

Policy tends not to be focused on child poverty, but on family poverty. A key focus is on enabling women to move into paid work. Family policy focuses on the cost of the arrival of

children in the family and on reconciling work and family life. Some benefits are means-tested but the universality of family allowances is important, rather than targetting. In 1997/8, the Government attempted to introduce means-testing of family allowances but there was strong opposition to this move and the attempt was dropped.

Childcare is also central to family policy in France. A recent innovation is the introduction of a generous allowance for childcare, partially means-tested, enabling parents to choose the type of childcare they require. Another development is help with parenting through a network of organisations which support parents and children through providing services such as mediation, helping children with homework and child protection services.

There are 3.7 million poor people in France, with a poverty rate of 6.7% for adults and 7.8% for children (using the below 50% median income measure). The families who are most supported are those with more children or those at the bottom end of the income scale. The poverty rate increases with children's age as benefits for older children are not as generous as those for younger children. Families experience particular difficulties when children move into higher education or when trying to move into paid work. 38% of students in higher education receive a grant and there is a trend towards extending the financial support period for students. Poverty is also linked to immigration due to their higher rate of large families. There are marked differences in access to health services and education for poor children living in deprived areas.

There is no French equivalent to the Social Fund, yet the Municipalities can provide grants for things such as food aid, paying utility bills etc.

Tuesday 2 December

Ministry of Social Affairs

There was a national plan to combat poverty and exclusion using a holistic global approach based on a 1988 law, which was being increasingly implemented in order to meet a shared EU target to eradicate poverty. Family policies were aimed at most vulnerable children in large and single-parent families.

There were currently 90,000 asylum seekers. The number had rocketed in recent times (e.g. from 600 applicants in December 2002 to 6,000 a year later). The 3,000 child unaccompanied asylum seekers in Paris placed an added burden on child protection services.

The assisted holidays scheme was provided as part of the employment benefit and is aimed at maintaining family cohesion. 900,000 children benefit each year. Two additional laws are being drafted to enhance local authority power, although many policies (e.g. social exclusion) will remain a responsibility of central government.

CES

Extracts of handouts from the session

305. Children in situation of poverty: between one and two million children in France

306. Presentation of some statistical results

- From a statistical point of view, poverty is generally apprehended in its financial dimension: are poor, the families having income per consumption unit lower or equal to a fraction of the median income defined as the “poverty line” in the country. In France, this fraction is equal to 50%. The European comparisons in general, are made with a fraction equal to 60%, which determine poverty in a less restrictive way. In all cases, the “poverty line” is thus a relative concept.
- One can also approach and define poverty in terms of living conditions. Poverty is then defined by a number of lacks compared to a material well-being largely expanded in the population. It is then the accumulation of lacks which is significant (cf infra the situation on France).
- Other approaches may also be used very efficiently using Education or Health indicators.
- Data over several years (OECD) suggests that poverty is, in fact, more common than suggested by point-in-time data.

A – Children’s monetary poverty in France

- In 1999, a million children aged under 18 lived in poor families. i.e. families having less than 552 € per month (euros of 1999) of resources per consumption unit. This threshold of 552 € corresponds conventionally to 50% of the median income of French households. The rate of relative monetary poverty of children was then 8%.
- Half of “poor” children live with parents who are unemployed (17% of children with a single relative without employment, and 33% with the two parents without employment). Unemployment is thus obviously a factor that is very discriminating for poverty, but it should be announced that 12% of “poor” children belong to families where two parents have employment!
- The children of single-parent families or large families are more likely to be poor. The child which cohabits with only one relative has, practically, a double risk to be poor than those who live with two parents, whatever the size of the family.

Rate of poverty of children according to the size of the family and the family situation (in%)

Nombre de frères et sœurs	Couple	Famille monoparentale
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de moins de 25 ans		
Enfant unique	5,5	10,8
1 frère ou sœur	4,8	14,0
2 frères ou sœur	6,0	16,4
3 frères ou sœurs	12,0	20,6
4 frère ou sœurs et plus	27,3	35,0

Champ: enfants de moins de 18 ans vivant dans in ménage ordinaire don't la personne de reference n'est pas étudiante. – **Source:** enquêtes revenus fiscaux 1998, Insee-DGI

- In addition, poverty grows with the number of brothers and sisters; The increase is particularly high starting from four children; the rate of poverty is then 27% for a couple and 35% for a single-parent family
- In France, the social security benefits strongly contribute to reduce poverty; especially for the youngest children;

307. The maternity and family allowances, and the allowance of assistances to housing are the transfers which reduce the more the proportion of children whose income is lower that the poverty line. Owing to the fact that the family allowances are targeted on the young children and that older children more often have parents who are owners, the services have definitely more marked effects for the young children.

B – Another approach: living conditions

- On the basis of “lack” observed in a list of 21 items part of the consumption or equipment of the household (for example: hot water in the house?, car disposal?; the household can buy new clothing (and not second hand clothing); it eats meat every two days; it can leave on holiday for one week per annum; it does not frequently delay payments, etc.) INSEE can define, always conventionally, as “the poor in living conditions”, 10% of households which have the highest score of “lacks”. Children belonging to these households are then 1,4 million, which is 10,5% of all children.

Distribution of the score of deprivations and average score according to the type of households to which the children belong (in %)

	Niveau enfants
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Score	Ensemble	Couples 1 ou 2 enfants	Couples 3 enfants et plus	Parents isolés
0	38,4	47,8	32,0	15,8
1	20,6	22,4	19,8	14,7
2	12,5	11,5	13,9	13,1
3	8,1	6,2	9,9	11,3
4	5,4	3,7	6,5	10,2
5	4,3	2,6	5,5	9,7
6 et +	10,5	5,7	12,4	26,1
Ensemble	1000,0	100,0	100,0	100,0
Score moyen	1,9	1,3	2,2	3,7

Champ: enfants de moins de 18 ans vivant dans un ménage ordinaire dont la personne de référence n'est pas étudiante. **Source:** partie fixe « Santé, logement, endettement des ménages » des enquêtes permanents sur les conditions de vie des ménages de mai 1999 à mai 2001, Insee.

- The two forms of poverty overlap only partially. Only because the level of material well-being does not depend solely on the current standard of living, but also of the former standard of living. However, a strong correlation is observed: more than half of poor children (living conditions) live in households on low standards of living.

Complement to the note “Children in situation of poverty”

The global cost of the social protection in Europe (extract from “statistics in focus” no 3/2003 The Social protection in Europe)

- Since 1993, social protection expenditure is decreasing in percentage of GDP. In 2000, it dropped back in real terms and amounted to 27.3% of GDP, down by more than a percentage point compared with 1993. The drop is fairly general and is the result partly of renewed growth in GDP but also of slower growth in social protection in correction with the reduction in unemployment benefits. The rate is lower in UK (26.8%) than in France (29.7%) but the fall between 1993 and 2000 is higher in UK (2.2 point) than in France (1.0 point).
- But social protection expenditure per head of population increased in real terms in eu 15 by about 1.7% per year over the period 1995-2000 (1995 = 100) =108.7). The increase is higher in the UK (index 113.8) than in France (index : 107.0).

The Conseil Économique et Social (Economic and Social Council) advises the French parliament on all social, economic and cultural issues and has considerable influence. The CES has 231 Members, consisting of trades unions, employers, non-governmental organisations and charities and 40 experts appointed by Government.

When referring to poverty, definitions are very important. For example, the concept of absolute poverty may be suitable for developing countries but not necessarily for OECD countries. When referring to relative poverty, France tends to use the households below 50% median income, rather than the below 60% median used by the EU. Consequently caution needs to be exercised when making comparisons. French academics often refer to consumption units rather than households to take account of the incidence of large families. Instead of focusing on a purely monetary approach it is better to focus on living standards.

Using the below 50% median income poverty measure, there are 1 million poor children in France and using the below 60% there are 1.7 million. The poverty line is also defined as consumption units living on less than €552 per month. Half of all poor children live in workless families and 12% live in dual earner households. Child poverty in one parent families is twice as high as in two parent families. The impact of social transfer policies is quite high with an average 8% poverty rate after social transfers compared with 25% pre-transfer. Measuring poverty using a consensual measure, with a list of 21 items necessary to maintain a decent standard of living, 21% of families with children lack at least one item (see Annex 2).

A brief summary of a research project entitled, 'Valuing Parents, Valuing Children' was given.

Enfants du Monde

Enfants du Monde is a voluntary project which has been running for three years, working with street children. The existing centre opened in 2002 and has beds for 8 children and a daytime capacity to care for up to 30 children. Most of the children using the centre have been trafficked from other countries, or their parents in their home country have paid substantial amounts to have them smuggled into France. The children aim to get French citizenship and they want to work so that they are able to send money back to their families. If the children are not granted citizenship, most of them remain in the country as illegal immigrants. From 2004, the immigration rules are being tightened so that children will have to have been in France for more than five years before they can be granted citizenship. As well as working with children in Paris, Enfants du Monde also works within the countries from which the children come, to provide support for them to remain in their own country rather than illegally entering France.

COPENHAGEN

Wednesday 3 December

Ambassador's briefing

Denmark was a proud nation, who had conquered large parts of the world (including UK where the Vikings had landed on Lindisfarne Island in 783AD). It was a small country with a population of some 5m, which had a tradition of commonality and of coalition politics involving a great deal of pre-legislative scrutiny.

Denmark was a constitutional monarchy. Queen Margarethe was well regarded and received formal respect, but had no real political power. The Parliament had 160 Members, elected by proportional representation for a 4 year term. The Government was by a coalition of centre-right, social democratic parties with the newly emerged Peoples party. Prime Minister Rasmussen was a popular and effective leader, if a little vain. The political scene was relatively quiet. Denmark was a member of NATO and close to UK on most foreign policy issues. It supported the EU but was suspicious of Brussels. Major issues required a referendum and Denmark is expected to be more involved in the EU after the 2005 election. Troops and ships had been sent to Iraq war and were still supporting US and UK troops there.

There is a strong work ethic and Denmark is a firm ally of the UK. The main ethnic minorities are Turkish, Kurds and Somalis. There had been recent legislation against arranged marriages. Poverty in Denmark is relative: some 30,000 live in poverty. Direct taxation is about 35%, VAT is 25% and local tax is 20%

National Institute of Social Research

Mohammad Azhar Hussain

Researchers at NISR have recently completed a poverty research project on behalf of Save the Children Denmark. There are three poverty measures used in Denmark:

- *social assistance poverty* – where poverty is defined as families receiving social assistance – with a current child poverty rate of 11.5%;
- *implicit poverty* – poverty defined as those with a disposable income less than the amount a family on social assistance would be entitled to – with a current child poverty rate of 5-8%; and
- *relative poverty* - the below 50% median income measure – a current child poverty rate of 3.5%

The Scandinavian countries are often referred to as the “5% club” as they all have a child poverty rate of less than 5%. If using the below 60% median income measure, the child poverty rate is 7.6% (85,000 children).

The risk of child poverty is higher for younger children than older children. The risk of poverty for children aged under 3 years is around double that of older children – but this is before childcare is factored in. In Denmark the child allowance is quite low therefore it does not counter the poverty rate for young children, although more is paid to younger children.

Immigrant children have six times the poverty rate of those born in Denmark (a child poverty rate of 18.5% for immigrant children compared with 2.6% for Danish children). In Denmark, asylum seekers do not receive social assistance but do receive a basic allowance plus food and shelter. Social assistance is for legal immigrants only.

7.8% of the Danish population are from an ethnic minority.

Area-based (relative) child poverty in Denmark varies between 5.6% and – 9.6% Copenhagen has a rate of 5.8%. Using the social assistance measure, Copenhagen has the third highest child poverty rate (24.4%) due to the immigrant population. Poverty also tends to be worse in rural areas. Other explanatory factors for high child poverty rates are inequality in incomes and the closure of large employers.

Hans Hansen

Three-quarters of children aged 3-6 years go into childcare facilities, compared with half of children in the UK. Childcare is heavily subsidised by the state with higher subsidies for young children and babies. Parents pay a share of the costs. If parents have a very low income, then no contribution to childcare costs is made. There have been experiments at enabling mothers to stay at home to look after their own children rather than go to work and put children in childcare. There are basic inspections for those who wish to stay at home and become childminders, although this is not a very popular choice for mothers. In Denmark, it is believed that childcare is essential to enable both parents to work.

Net replacement rates are quite generous.

Tax rates in Denmark can vary between 41.7% to 53.3% of income. People in Denmark pay tax when income is low and all replacement incomes are taxable. The higher tax band falls relatively early in the income distribution. There is virtually no in-work poverty in Denmark.

Benefit take-up is not an issue which is discussed or researched in Denmark, yet it is likely that there are substantial numbers of eligible people who do not, for example, claim Housing Benefit due to the complexity of the rules. Benefits offices are not always helpful in informing people of their entitlement, but this issue is not discussed.

Ministry of Social Affairs

Mr Kristensen

Extract of slides

Mr Kristensen, Ministry of Social Affairs

Child and family policies in Denmark

- The children are primarily the responsibility of the parents
- The public sector creates the social framework and provides guidance and support for the families on the principle that anyone in need should have the right to assistance
- High employment rate and progressive income tax
- Free school and health care and reduced prices (reasonable) for child care
- Income transfers to low income families – especially single parents
- The municipalities implement the various schemes

- This leads to relatively few poor children in Denmark – 3-8% with the most commonly used definitions.

Measurement of poverty

- Distinction between absolute and relative poverty
- Risk from having and official absolute poverty line
- Three definitions of poverty from the National Institute of Social Research
 - Receiving social assistance in a spell during a year
 - Implicit poverty line defined by the legislation
 - Disposable income below 50% of medium income
- Overrepresentation of single parents and immigrants

Child allowances to single parents

Private child maintenance at least	annually 11,640 DKK
Special child allowance to children who have lost one parent	annually 11,640 DKK
For each child	annually 4,040 DKK
One for each family	annually 4,108 DKK

Housing allowances

- Family with children below 23 years
- Rent subsidy = 60% rent – 18% income exceeding 111,900 DKK
- The income limit 111,900 DKK is increased by 29,400 for the second, third and fourth child
- Minimum own payment at least 18,800 DKK
- Maximum subsidy 41,295 DKK if at least 4 children

Negative intergenerational transmission

- **Definition**

- Increased risk that the children will “take over” the parents social problems

- **Problems to be addressed besides low income**

- violence against children
- stimulation
- mentally ill parent or drug or alcohol abuse

— education etc.

The Government's Strategy

“A good start for all children”

- **Strengthening the responsibility of the family**

— Help and support for families to take responsibilities themselves

- **Competence development**

— The basis of enter into an education should be present professional abilities and social competence

- **Early action for the vulnerable children and families**

The Ministry is concerned about promoting a debate on the introduction of a poverty line because of any possible impact on the principle of universality. They also point out that a poverty line based on social assistance is problematic because the state does not set benefits at a level which would eradicate poverty. A particular issue is the intergenerational transfer of poverty, which is more problematic for those on a low income.

Early intervention takes the form of childcare places which are available for children from the age of six months and maternity leave of one year. There are 14 days of paid paternity leave and parents can split their parental leave between them.

Denmark has a guaranteed child maintenance system. The non-resident parent should pay the parent-with-care direct. If they do not, the parent-with-care can claim the payment from the Municipality who then reclaim it from the non-resident-parent. 150,000 children get their child support payment from the Municipality (15% of child support cases).

Christina Barfoed-Høj

The Daycare system

Extract of slides

Number of children admitted per full-time staff member, April 1999

	Family daycare	Crèche/Nursery	Kindergarten	After-school centre	Age-integrated	Clubs
Trained Staff		5.7	9.9	14.4	9.4	26.2

Temps and non-trained staff		7.5	17.9	26.2	14.9	62.4
Staff minding children	3.5	3.2	6.4	9.3	5.8	18.4

Developments in degrees of coverage for children aged ½-9 years

Age\Year	1989	1994	2000
½-2 years	56%	60%	66%
3-5 years	75%	85%	93%
6-9 years	49%	64%	81%

Source: The social resource counting

The aims were to provide good quality, affordable accessible childcare. Daycare should stimulate language, imagination, social skills democracy and culture. A new Bill was to be introduced setting out curriculum requirements and requiring centres to provide information on the effectiveness of stimuli which would be evaluated by the Parent Board and Local Board.

The minimum age for Daycare was 6 months. Training for childcare lasts 3 ½ years and can lead to a Master's degree and career. The cost of childcare is paid for by parents (30%) and municipality (70%). Families on low income are subsidised on a sliding scale and is free for those with income less than £12,000 pa. There is a reduction after the first child.

Frode Svensen

There are special daycare facilities for disabled children although the funding system is the same as other children. There are additional payments for the costs of disability – similar to Disability Living Allowance. Parents get compensation for loss of income if they have to take short periods off work to look after a disabled child. Disability payments for children are based on the child's needs, rather than being flat rate, and are not means-tested.

Jens Hørby Jørgensen

Extract of Slides

Objectives of “More people at work”

Vitally important to ensure more people joining the labour market – if not, current welfare is jeopardised. Employment to be increased by 87,000 persons by 2010

How can we get more people into employment?

- Persons outside the labour market to join the labour force – Integration of 60.000
- Persons already in employment to work more or stay longer on the labour market – 40.000 per year
- Unemployed persons to be brought back faster into employment – 15.000 – 30.000

Unemployment and Activation

- Unemployment day one: Registration
- Within 30 days: CV
- At least every third month: Personal contact
- After 1 year (6 months for people below 30 years): Job plan and activation:
 - Guidance and upgrading of skills and qualifications
 - Practical work training in enterprises
 - Wage subsidies
- If unemployed again: new activation after 6 months for all groups

There was no problem attracting people to childcare. Considerable help is given to disabled people in order to encourage them to work: 100% of costs are paid. There were 75,000 long-stay unemployed (with personal or physical problems) of whom 20,000 were considered permanent (50% socially inadequate, 50% addicts). 270,000 were in receipt of disability benefits but a major reform meant that employers received a wage subsidy for marginal applicants.

CASA

Finn Kenneth Hansen

Child poverty is just hitting the agenda in Denmark, with recent events such as the recent publishing of the Save the Children report on child poverty. CASA works on issues such as budget standards, devising an adequate but modest family budget based on a basket of goods. The basic living level for a single person is 7,000DK and for a couple with one child is 15,300DK. This does not include allowances for leisure or for long-term expenditure such as new shoes or replacing broken goods such as refrigerators. The benefit of budget standards is that it allows a more reasonable poverty line which is more understandable to the general public than a below 50/60% median income measure.

Peter Abrahamson

The post-war period saw the establishing of the welfare system. By the 1960s, Denmark convinced itself that poverty had disappeared. The commonly held thought was that the only people who were in poverty were beggars and some of those with mental illness. By the 1980s, the Government admitted that there was a minimal poverty level of around

2% of the population. During the 1990s, influenced by the EU, social exclusion came onto the agenda. Problems began to be seen not as a lack of resources but people being subject to discrimination in areas such as the labour market and housing.

Peter Abrahamson has been working on a study of low-income families in five cities within the EU. In Denmark, it was found that as long as people were in the labour market, their situation was broadly ok. It was found that the importance of informal networks were particularly high. Distinctions could be made between those who had family and friends close by who could provide support and those who did not.

In Denmark it was also found that the parental leave scheme was not an option for those on low-incomes due to the low level of subsidy and was therefore predominantly used by the middle classes.

The importance of childcare in securing a low level of poverty cannot be underestimated. In Denmark, 15% of the total social expenditure budget goes on childcare. Childcare facilities provide quality of care, but also have a 'monitoring' function looking out for signs of poverty and neglect and referring families to appropriate support.

Half of Danish mothers work part-time (which is actually defined as 32 hours or less). Lone parents tend to work full-time or not at all. Research suggests that Danish women are divided when it comes to views on whether mothers should work or not. When interviewed, Danish women say they want a career because they want financial independence yet they also want to spend more time with their children when they are young.

When asked how best the UK could tackle child poverty, the researchers commented that many more childcare places are urgently needed and that childcare needs to be made more affordable. Decent wages are important and the National Minimum Wage needs to be increased. In addition, reference was made to the Danish nurse-care programme, similar to health visitors in the UK, who can help to identify social problems within families with very young children. It was also felt that anti-poverty schemes should not be targeted as universalism reduces stigma.

Thursday 4 December

Herlev

The Municipality of Herlev is 10 kilometres from Copenhagen and is the third smallest municipality in Denmark, with 27,000 residents. Herlev has lots of social rented housing, a high proportion of immigrants and a high proportion of lone parent households. The unemployment rate and receipt of social security benefits is around the national average. Herlev is the type of community that people leave when they go to college but come back to when they want to start a family. It is recognised that Herlev does have a degree of poverty and there is a distinct cycle of deprivation of generations.

Every school and childcare facility in Herlev has a social worker, a health nurse and a psychologist. They meet four times a year to check if teachers are worried about particular children and can intervene with the parents' consent. Currently, there are

particular problems with children from Afghanistan and the middle east and also from immigrant children who are from lone parent families. There are currently 420 children in care in Herlev.

There is currently concern about benefit cuts which will be implemented from January 1st 2004. These will reduce family income by around 500DK per month.

There is a social institution at the heart of the community which helps children and families with social problems, including teenage mothers. Currently 20 children aged 7-14 years are staying in the unit because of family problems. The unit's job is to provide the children with emotional support and to support them in school. They also need to be prepared for leaving the unit when they are ready. The children are therefore encouraged to contact their extended family. Once the children leave they get ongoing support from social workers and are placed in small rented flats.

Danish Parliament Social Affairs Committee

There was no absolute poverty in Denmark. There was a duty to inform the municipality if a child was neglected or in danger. Benefits were paid quarterly. Pre-legislative scrutiny was highly developed: sometimes negotiations lasted for 6 months before formal introduction of the Bill. Ministers frequently meet the relevant Committee before important sessions in Brussels. Committees can also travel and have a budget which can be carried-over. The Social Affairs Committee took regular evidence from individuals and undertakes pre-legislative scrutiny with companies and organisations

Save the Children Denmark

Save the Children in Denmark is running a campaign called 'Beat Poverty'. The platform for the campaign is the UN Convention on the Rights of the Child. Child poverty is a controversial subject to bring to the public attention therefore there has been a horrified reaction to the publication of Save the Children's report into child poverty in Denmark (results outlined in earlier section by Mohammed Azhar Hussain). There has been much debate about how a rich country can afford to have poor children living on the margins of society. Even Save the Children were themselves surprised at the results of the research. Child poverty was debated in Parliament for two hours as a consequence of the report. The Minister for Social Affairs disagreed with the report but it was agreed that more research into child poverty is needed. Save the Children believe that there is a need to do further research on issues such as children's perceptions of living in poverty and to track longitudinal change.

De-Brief session

There was anecdotal evidence of a brain drain because of high taxation although most Danes accepted it and didn't check their tax assessments. Tax evasion was considered not to be socially responsible. There was some difficulty with recruitment for senior posts. There was a 3 year tax moratorium for certain industries (e.g. R&D; biotech). Denmark was a net recipient of EU funding.

Annex 4

Note of Committee Visit to Belfast – 21-22 January 2004

Queen's University

A research team primarily based at Queen's University and including Prof McLaughlin, Dr Mike Tomlinson and Prof Paddy Hillyard from the University of Ulster have recently published the first study into poverty and social exclusion (PSE) in Northern Ireland (NI). As there has been little systematic evidence of poverty in Northern Ireland the research has stimulated a great deal of interest from a variety of corners, including Government departments.

Prof Eithne McLaughlin

After the Poverty and Social Exclusion Survey of Great Britain was conducted by researchers at the universities of York, Bristol and Loughborough, researchers at Queen's approached the Office of the First Minister for funding to conduct a similar piece of research in Northern Ireland. Until then, there had been a seven-year vacuum with no poverty measurement carried out in Northern Ireland at all. Northern Ireland data is included in the Households Below Average Income report (which uses data from the Family Resources Survey), although the Northern Ireland data is very limited as it is drawn from a small sample of the Family Expenditure Survey and no regional data is available.

The objectives of the PSE in NI study were to provide a baseline measure; to provide data on the impact of PSE across the nine equality dimensions of Section 75 of the NI Act 1998; and to enable comparisons of PSE data with Great Britain (GB) and the Republic of Ireland.

The study combines a consensual measure of poverty with income measures, the advantage of this being that local and regional differences can be captured. There are five steps in the consensual poverty measure used in the research (see below). The NI consensual poverty threshold was set at people being deprived of 3 or more necessities and having an equivalised household income of less than £156.73 per week, before housing costs. In comparison, the threshold for GB was households deprived of 2 or more necessities. The surveys to establish what the public think as a necessary item produced similar results in NI to GB.

Steps in the consensual poverty measure

1. Survey 1: which items are 'necessities'?
2. Survey 2: necessities which people can't afford
3. Select necessities which are robust indicators of deprivation

4. Maximise difference between 'poor' and 'non-poor' groups and minimise the difference within those groups
5. Produce poverty threshold

Necessities – examples (1)	Omnibus 'necessary'	Have	Can't afford
FOOD			
Fresh fruit and veg every day	92	84	5
HOUSING			
Pay heating/electricity/phone bills on time	99	91	8
Replace worn out furniture	79	67	28
CLOTHES			
Warm, waterproof coat	93	91	5
Good clothes for job interviews	86	85	6
INFORMATION			
Telephone	81	95	3

When comparing prices in NI with average UK prices, fuel, travel and food are much more expensive in NI. (see below). This is significant as the median income measure of poverty does not take into account the differences in prices. As the consensual measure of poverty indicates the achieved standard of living of individuals, it might be a more accurate measure of poverty than an income measure.

Northern Ireland prices compared with UK averages 2003

	% difference
• Housing	-29
• Household services	-11
• Household goods	-8
• Leisure services	-5
• Personal goods	-5
• Clothing	0
• Alcoholic drinks	+3

• Food	+5
• Motoring	+11
• Fares and travel	+13
• Fuel and light	+25

Source: ONS: Effective Purchasing Power by region

There is a 4% difference in poverty rates between NI and GB. Gender differences in poverty rates stretch across the age range, including working age adults and pensioners. Two-thirds of children living in poverty (defined on the below 60% median income measure) are living in 'atypical' families, for example, in a lone parent family, in a large family and in a family with disabled adults or children. NI does have a higher proportion of large families compared with GB although the fertility rate is reducing. 8% of children in NI live in a household with a disabled adult and as a result are in poverty. It was felt that innovation on employment for disabled people is low in NI. Those who identify themselves as 'British' or as 'Protestant' are not as poor as those who identify themselves as 'Irish' or 'Catholic'.

Using the consensual poverty measure, 37% of children in NI were growing up in poor households, with similar patterns occurring when using an income measure of poverty. For some groups, particularly lone parents, the consensual measure of poverty gives a higher level of household poverty illustrating the deprivation experienced.

% of households with children poor on the GB HBAI measure

Overall	29.6%
Elevated levels	
Family size, type health/disability 4-6 children	47.4%
Lone Parent	49.3%
L.A tenant	59.8%
1 worker	19.0%
2 workers	8.1%
No workers (sick/disabled)	68.8%
No workers (unemployed/other)	70.5%

Discussion with the research team

The level of inequality in NI was said to be shocking and it was felt that nothing had changed over the last 20 years. There are serious concentrations of poverty in some areas.

There were positive views on the new poverty measure outlined in DWP's recent consultation response. But it was felt that it is essential to have one single headline figure. There was also the view that it might have been better to have two tiers rather than three. On the deprivation indicators, there was surprise at the absence of nutritional indicators. It was also pointed out that, in addition to measurement definition, it was also necessary to agree a definition of poverty – a concept of what we are trying to achieve as a society.

Unemployment has reduced in recent years and NI now has a lower level than the North-east of England, although there is the issue of increasing numbers of people moving onto incapacity benefits. 63% of poverty in NI is due to worklessness, and it therefore follows that the problem of poverty falls to the UK government to address. Only 500 lone parents in NI have been through the New Deal for Lone Parents.

NI does not have Council Tax as in GB and it still has a version of local rates. This is the most regressive form of local taxation which impacts heavily on families.

Working Lunch with NGOs and individuals working in the field of child poverty

A wide range of issues were expressed by those participating in the discussion including:

- Benefit levels across the UK need to be raised.
- Moving people into work is beneficial but it has to be recognised that not everyone can work and that the necessary jobs are not always available.
- Childcare over the summer period is problematic in Northern Ireland, especially in deprived areas, due to the marching season.
- The Government's aim to end child poverty needs to be properly resourced.
- Not enough is known about child poverty and how people experience poverty. Particular problems arise as the survey data (such as the Family Resources Survey) has not covered Northern Ireland.
- Children's experiences of poverty are important and need further attention. Many of the organisations present had done work directly with children on their experience of living in poverty.
- Budgets which provide resources for children frequently get used for other things so there is a need for ring-fencing
- Finances do come in from the EU but this will eventually cease.
- Northern Ireland has historic under-funding of childcare and other family services.
- Accountability for child poverty in Northern Ireland is very unclear.
- Advances have been made under the devolved administration eg the creation of the Children's Commissioner.
- The community sector is very important in providing services in Northern Ireland but is in crisis – more time is spent on getting funding than on their main work.
- An increase in Child Benefit is needed and the unequal rates for more than one child is wrong.
- For those who can move into work, tax credits are a help.

- The National Minimum Wage is too low and is not always adhered to by employers.
- Employers reduce wages when they know that employees are claiming tax credits.
- People don't always have Income Support levels of benefits as Social Fund reductions reduce their income.
- It was questioned when obligations on human rights will be fulfilled. The UN Convention of the Rights of the Child recognises standards of living.
- Department's budgets should be child poverty-proofed.
- Northern Ireland is promoted as a low-wage economy to draw in businesses – this should stop.

Sure Start

Sure Start in NI had some different targets, reflecting differences between GB and Northern Ireland. Targets, if too tightly drawn, could stifle delivery of effective services. For example, within the Shankill Road area 35% of families had lone parents and there was a significant problem of teenage pregnancies.

The regeneration of the Shankill Road area had started in 1995 and urban funding of some £6m had been allocated over 5 years and had been used to assist pre-school age children and Intermediate Labour Markets (ILMs). The end of the funding had resulted in ILMs not being supported: the scheme was now focussed on children and Daycare.

The current funding stream was reasonably secure but it was difficult to evaluate the success of the scheme in NI.

Falls Road Jobs and Benefits Office

The Social Security Agency (SSA) is an Executive Agency of the Department for Social Development and is very similar to DWP in Britain. It has 6,500 staff and delivers services to 650,000 customers. Jobs and Benefits Offices (JBOs) are part of the Working Age Service, delivered in partnership with the Dept for Employment and Learning. JBOs are currently being rolled out across Northern Ireland and are very similar to Jobcentre Plus offices in Britain. Employability and tackling long-term unemployment is a current focus. The challenges of co-ordinated working between the two Departments is great but where services have been joined up there is a 17% reduction in the unemployment rate.

The delivery mechanisms of benefits differs in Northern Ireland from GB but the benefits are the same. In terms of developing a different anti-poverty strategy in Northern Ireland, there is some flexibility but the Department are restricted by legislation. More flexibility is available through labour market intervention. When the New Deals were first introduced there was some criticism as they did not take into account the differing needs and differing services in Northern Ireland. A key problem with helping people into work is that people are not very mobile and are unwilling to travel far to get to work.

Levels of unemployment are very low and it is therefore not seen as a high priority. People have moved off the JSA register – some into work and some onto disability benefits. Each JBO has Personal Advisers – similar to in Britain. JBO offices are not screened and this has promoted a better environment for staff. One difference is that there is no move towards telephony, as in Britain.

Falls Road Community Centre

The following is taken from a presentation given at the Falls Road Community Centre by a delegation of community representatives and Members of the Legislative Assembly

- 90,000 people are estimated to be living in West Belfast, one quarter of the total population of Belfast and 5% of the North's total population.
- 29% of its population was estimated to be aged less than 16 compared with 21% in the rest of Belfast and 24% in the North as a whole. 13% of the population is estimated to be pensioners, compared with 20% in the rest of Belfast and 15% in the North of Ireland.
- West Belfast has 43% of almost 10,000 lone parents in Belfast and 13% of the total in the North of Ireland.

Deprivation

- 11 out of the 17 wards (almost two-thirds) in West Belfast are among the top 10% worst off wards in the North (566 in total).
- Almost two-thirds of wards in West Belfast are in the top 10% most income deprived wards.
- In 8 out of 17 wards, 50% or more of the population are income deprived.
- 9 out of the 17 wards in West Belfast are among the top 10% most deprived in the North
- Of all the measures of deprivation, West Belfast comes out worst with regard to *health and disability*.
- According to the *Noble* measures, poor health is by far the biggest socio-economic problem facing people in West Belfast.
- Eight out of 17 wards are included in the top 10% worst wards in the whole of the North.
- 7 wards have 80% or more of 0-15 year olds living in poverty according to the *Noble measures??*
- All 17 wards in West Belfast have more than half of their under 16 year old populations living in poverty.
- Wards in West Belfast come out worst in terms of the health status of their populations, followed by deprivation with regard to income, child poverty, social environment, employment, education and housing

Employment

- In 1999, there were 22,811 people in employment in the parliamentary constituency of West Belfast, accounting for 12% of employment in Belfast city, and 4% in the North as a whole.
- Over the six year period 1993 to 1999, employment in West Belfast fell by 57%, compared with substantial increases in the rest of the city and the North as a whole.
- 9% of full-time male employment in Belfast is located in the west of the city.
- Within West Belfast almost all people work in the service sector, 19,797 or 87% of the overall total of jobs.
- A total of 2,382 people were employed in manufacturing in West Belfast in 1999, 10% of the total for the area.

Unemployment

- 4,147 people were classified as unemployed claimants in West Belfast at May 2001, accounting for 39% of the overall total in Belfast and 11% of the total in the North.
- The vast majority of unemployed claimants in West Belfast (85%) are men.
- In terms of the percentage of those economically active in West Belfast - the unemployment rate - 13.2% were without work, compared with an average rate of 4.9% in the North.
- The male unemployment rate in West Belfast is particularly high at 21.6%, almost five times greater than in the rest of the city and over three times higher than the North's overall average.
- 44% of unemployed claimants are concentrated in just five wards - Collin Glen, GlenColin, Upper Springfield, Whiterock and Falls.
- Only 44.2% of the working age population in West Belfast is economically active, well below the rates of 57.5% for Belfast City and 59.2% for the North as a whole.
- The real rate of unemployment in West Belfast, counting all those who would genuinely take work if it were available for them, is likely to be over 25%, with an even higher rate for men.

Benefits

- There is a higher proportion of people in West Belfast who are classified as long-term sick/disabled (20.7% of the total inactive in the area) than in Belfast City (18.6%) and Northern Ireland (19.3%).
- Income Support and Job Seekers Allowance claimants account for approximately 26% and 6% respectively of the population aged over 16. This is twice the average for Belfast and the six counties which stands at approximately 13% and 3% respectively.
- The number of benefit claims from West Belfast total 62,543, this accounts for approximately 34.4% of all benefit claimants in the Belfast Area.
- West Belfast accounts for 32.7% of all incapacity benefit claimants amongst the four Belfast parliamentary constituencies with local claimants representing 11% of the total population aged sixteen and over.
- For people who remain on Severe Disability Allowance West Belfast accounts for the largest percentage of claimants, with approximately 32% of all benefit

recipients in Belfast and 6.7% of claimants in the north overall. Approximately 1.5% of the local population aged sixteen and over are in receipt of SDA.

- Job Seekers Allowance claimants are 2.3 times more likely to come from the West of the city as opposed to the East of the city.
- For those classified as Long Term Unemployed West Belfast has the largest percentage of claimants within the four constituency areas with approximately 46% of the 3,973 LTU claimants coming from the local area.
- Women from West Belfast account for approximately 63% of all Income Support claimants, 37% of all female claimants in the greater Belfast area and 11% of claimants throughout the north of Ireland.
- The uptake of Disability Living Allowance within West Belfast is 38% or 14,350 claimants, of a city total of 37,597 coming from the area.

Investment

- The IDB assisted only 5 companies in West Belfast during 1997-2000, just 2% out of a total of 219 companies it assisted throughout Northern Ireland during that period.
- This consists of just 15 projects which employ just 3% of total jobs in IDB-assisted companies.
- West Belfast has received the lowest proportionate number of jobs of any area within the wider Belfast conurbation. While areas like Antrim, Lisburn and Newtownabbey have more than four IDB-sponsored jobs for each unemployed resident, West Belfast has only 0.7.
- Catholics make up just 54% of employment in IDB-assisted companies in West Belfast, although their share of the population is around 80%.
- The constituency contains just 13% of small businesses in Belfast that receive LEDU assistance, accounting also for 13% of LEDU-assisted employment in Belfast. Whereas North and East Belfast have about twice as many LEDU-assisted employees as West Belfast, South Belfast has nearly three times as many.
- In Northern Ireland as a whole, West Belfast has only 2.4% of LEDU-assisted businesses, accounting for 2.5% of employment.

Housing

- In 2000, there were on almost 2,000 people on the NIHE's waiting list, with 587 designated homeless, over 1,250 housing stress applicants and 1,300 residents seeking transfer.
- West Belfast has the highest proportion of NIHE housing in Belfast (44.4%) and the lowest proportion of owner occupation (39%). It also has the lowest proportion of private rented accommodation (4%).
- In West Belfast 32% of its population is under the age of 15, there is overcrowding in many households and 1,385 people were classified as in urgent need of accommodation in September 2000.
- 25% of households have average annual incomes of less than £4,000, with a further 50% or more on incomes less than £10,000.

- West Belfast has the highest proportion of households with annual incomes less than £10,000 (77%). Conversely, only 23% of households have incomes of more than £10,000, compared with 43% in East and South Belfast.

Officials from the Office of the First Minister and Deputy First Minister (OFMDFM)

The ‘Growing as a Community’ project was one of the first programmes post devolution as is still a priority.

Targetting Social Need was launched in 1991 as a public expenditure priority and was initially defined as an anti-poverty strategy. In 1998 a White Paper was launched committed to refocusing the programme and was relaunched as New Targetting Social Need (New TSN). The Belfast Agreement in 1998 agreed with the White Paper recommendations and New TSN was launched in 1998 by Mo Mowlam. The devolved administration adopted New TSN in March 2001 with the proviso that it be reviewed.

New TSN focuses on inequalities in income, the labour market, health and education; tackling employment and employability; and is skewed towards those most in objective need. Departments are required to state up front what their TSN policies are and report on them annually. New TSN also promotes social exclusion cross-Departmentally and works in partnership with NGOs, community and voluntary sector groups.

The Executive is committed to evaluating New TSN and has an independent group of poverty specialists commenting on an evaluation.

New TSN does not have its own budget. Existing Departments have to skew their spending towards those in greatest need – otherwise known as “bending the spend.” Evidence suggests that £2 billion of the £8 billion block budget was redirected towards New TSN. Officials were asked whether rumours that some of the block budget had been sent back were true. They indicated that money is reallocated but not sent back and that at the end of the last financial year an under-spend did occur but end of year flexibility meant that the money was reallocated.

Labour market policy is a transfer area and the policy in Northern Ireland is to follow Britain (in terms of, for example, the New Deals). Sure Start is similar – Northern Ireland has the flexibility to adapt or change Sure Start as they see fit. This explains why in Northern Ireland, Sure Start budgets last for three years compared with seven years on the mainland.

Executive Programme Funds enable Departments to allocate expenditure locally to deal with social exclusion issues.

When New TSN was first introduced it focussed chiefly on unemployment whereas now the focus is on low-paid workers, lone parents and the sick and disabled.

Good points about New TSN include: anti-poverty strategies have been mainstreamed; there is now greater accountability and more of a partnership approach to tackling poverty.

Bad points include: it is not always strategic and doesn't include all areas; there is not budget, no clear political lead and there are unclear links with the EU National Action Plan and Opportunity For All.

The challenge is to provide a clarity of purpose and a coherent link between strategies. They need to understand what can be influenced by the devolved administration and what needs input from Westminster. Proposals on developing New TSN are being put to Ministers soon. They hope to retain New TSN as a core principle with a continued focus on employment, with a clear strategic aim, objectives and targets. It is also hoped that financial exclusion will also be included, as well as non-take-up of benefits (which NI has high levels of) and poor living conditions.

A Joint Ministerial Committee exists and is important as Northern Ireland Ministers can use the Committee to raise policy issues directly with the Chancellor of the Exchequer, however this does need to be rejuvenated. There is a recognition that Northern Ireland has benefited tremendously from tax and benefit policies but there is now a real need to generate many more jobs in the province. In addition, there is a need to make it easier for employers to improve the skills of the workforce and bring more lone parents and disabled people into the labour market. The Northern Irish economy is buffered by the large public sector – which constitutes 60% of the workforce. Average wages are around 85% of those on the mainland and therefore Working Tax Credit subsidises employees in Northern Ireland to a greater extent than in Britain.

Children and Young People's Unit (CYPU)

Child poverty has become a policy area of convergence between different Departments. CYPU was established in 2002 and is responsible for the Strategy for Children and Young People; the Commissioner for Children and Young People' and for co-ordinating input to UK reports on international human rights instruments relating to children, primarily UNCRC.

The Strategy for Children and Young People is a vision and a 10 year plan, informed by public consultation. The Strategy is rights-based rather than needs based; responsibility falls to Government Departments and all those delivering services to children; recognises that role of the family; is long-term; and addresses cross-cutting issues.

When developing the Strategy in informal discussion poverty emerged as a major issue to be addressed. 10 Taskgroups were established to look at different issues. The Taskgroup on Child and Family Poverty agreed a Strategic Outcome: that child poverty in Northern Ireland should be eradicated by 2020. They also agreed a Strategic Objective: that that the multi-dimensional and trans-generational aspects of child and

family poverty will be defined, measured (qualitatively and quantitatively) and addressed strategically across Government in a way which reflects the experiences of those affected by it.

A draft Strategy will be published in Spring 2004 and finalised by the end of the year.

Equality and Social Need Division

Policies on poverty have further to go to counteract factors in Northern Ireland such as low wage levels; higher costs of food and fuel; large family size; benefit dependency; and a polarization of qualifications and skills.

The population in Northern Ireland is relatively young: 24% of the population is under 16, compared with 20% in England. There is a falling birth rate: 13 births per thousand of population in 2001 compared with 17 in 1990. Almost 2 in 5 households contain dependent children; and there is a rise in lone parent households. Around 9% of children live in workless households; 126,000 children live in families claiming a key benefit; 12% of children live in overcrowded accommodation. There are only 62 daycare places per 1,000 children aged 0-4 years, compared with 95 places in England and Wales.

Until recently, major gaps in available data and information resources had existed in Northern Ireland. New sources are emerging such as the Northern Ireland Household Panel Survey (NIHPS), the Family Resources Survey and the Poverty and Social Exclusion Survey in Northern Ireland. The emerging data suggests key differences with the UK mainland, including a higher child poverty level in Northern Ireland.

Three-quarters of children in lone parent families are at risk of poverty. Evidence suggests that tax credit and benefit policies are not helping to lift children in lone parent families in Northern Ireland out of poverty, but are having a positive on children in couple families.

Childcare

5% of the education budget is allocated to deprived areas. A pre-school education expansion programme means that there are now 21,000 pre-school places, compared with 9,000 previously. Other initiatives include: Sure Start (there are now 23 in Northern Ireland); Book Start – a project to increase access to books, but which has now been phased out; fresh fruit in primary schools; and a Neighbourhood Renewal Strategy which is focussed on children's initiatives.