



Child Poverty Bill

Bill No 112 of 2008-09

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This briefing on the *Child Poverty Bill* has been prepared for the Second Reading debate on the Bill in the House of Commons.

In March 1999 the Government made the commitment to 'eradicate' child poverty in the United Kingdom by 2020. It subsequently announced intermediate goals of reducing child poverty by a quarter by 2004/05 and by a half by 2010/11, compared with 1998/99. The former target was missed and the Government now concedes that the target of halving child poverty by 2010/11 is unlikely to be met.

The Bill, which follows the January 2009 consultation paper *Ending child poverty: making it happen*, fulfils the Government's commitment made in September 2008 to enshrine the 2020 child poverty target in legislation. It establishes four separate child poverty targets to be met by 2020/21, requires the UK Government to publish a regular UK child poverty strategy, requires the Scottish and Northern Irish Ministers to publish child poverty strategies, establishes a Child Poverty Commission to provide advice, requires the UK Government to publish annual progress reports, and places new duties on local authorities and other 'delivery partners' in England to work together to tackle child poverty.

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Summary

In March 1999 the Labour Government made the commitment to ‘eradicate’ child poverty in the United Kingdom by 2020. The Government subsequently announced intermediate goals of reducing child poverty by a quarter by 2004/05 compared with 1998/99, and halving child poverty by 2010/11.

The number of children in poverty (measured as the number of children living in households with an income below 60% of median income, before housing costs) fell after 1998/99 but the 2004/05 target was missed. Child poverty subsequently increased, with the latest 2007/08 data showing that 2.9 million children are now in poverty on this measure, 200,000 more than in 2004/05.

Commentators have suggested that without significant additional expenditure it is highly unlikely that the 2010/11 target – of reducing the number of children in relative income poverty to 1.7 million – will be achieved. The Institute for Fiscal Studies estimates that, on current policies, the 2010/11 target will be missed by around 600,000 children.

In his speech to the Labour Party Conference on 23 September 2008, the Prime Minister announced the Government’s intention to enshrine the target of eradicating child poverty by 2020 in legislation. A Bill to this effect was announced in the Queen’s Speech in December 2008 which would, the Government said, ‘help to ensure that we stay on course and take action now to tackle the causes as well as the consequences of poverty.’ Prior to introducing the Bill in 2009, the Government said it would consult stakeholders on how the legislation could best reflect the goal of eradicating child poverty. The Child Poverty Unit’s consultation paper, *Ending child poverty: making it happen*, was published on 28 January 2009. This suggested that ‘eradication’ could be considered to have been achieved if the UK reached a level of child poverty ‘among the best in Europe’.

The *Child Poverty Bill* was presented on 11 June 2009. The Bill’s purpose is to ‘define success in eradicating child poverty and create a framework to monitor progress at a national and local level’. It:

- Establishes **four child poverty targets** to be met by 2020/21, based on a relative low income measure, a low income measure fixed in real terms, a combined low income and material deprivation measure, and a ‘persistent poverty’ measure
- Requires the UK Government to **publish a UK child poverty strategy**, which must be revised every three years. The strategy will set out the policies that will be put in place to meet the targets
- Requires **Scottish and Northern Irish** ministers to publish **child poverty strategies**
- Establishes a **Child Poverty Commission** to provide advice on the development of the child poverty strategies
- Requires the UK Government to publish **annual progress reports**
- Place **duties on local authorities and other ‘delivery partners’ in England** to work together to tackle child poverty, conduct a local needs assessment, produce a child poverty strategy and take child poverty into account in the production and revision of their Sustainable Communities Strategies

The aim of eradicating child poverty enjoys broad support across the political spectrum and the Bill has been welcomed by organisations concerned with child poverty, although there is

disagreement over the target rate. Some argue that a relative low income target of 10% of children in poverty by 2020/21 is too high, pointing out that poverty rates of 5% have been achieved in other European countries in the past.

While the Bill has been welcomed, there is concern that legislation on its own will not be enough to eradicate child poverty. Responses to the consultation argued that there should be greater recognition of the nature and scale of the problems that currently exist and how these should be addressed, and that governments would need to demonstrate continued resolve and commitment to tackle child poverty effectively. A failure to meet the 2010/11 target of halving child poverty, and a worsening economic and fiscal situation, could put the 2020/21 target even further out of reach.

Major question marks remain about whether governments will be able and willing to commit the necessary resources to reduce child poverty rates to meet the 2020 targets, and about the appropriate mix of policies to tackle child poverty effectively and permanently. Commentators agree that no single policy can achieve the targets and that action will be needed on a number of fronts simultaneously to reduce worklessness, increase financial and material support for parents and tackle in-work poverty. Any strategy would have to address fundamental issues such as the quality, cost and availability of childcare; how to raise educational attainment and skills to improve parents' earning potential and to tackle the intergenerational transmission of poverty; how to create the necessary labour market opportunities to enable working parents to escape poverty; and the trade-offs between offering improved financial support to parents while maintaining incentives to work.

Part 1 of the Bill extends to England, Wales, Scotland and Northern Ireland. However, clause 10 (relating to strategies prepared by the Scottish Ministers) extends to Scotland only and clause 11 (strategies prepared by the relevant Northern Ireland department) extends to Northern Ireland only. The Bill does not confer corresponding new powers on Welsh Ministers since provision is already being made via the *Children and Families (Wales) Measure*, which is currently before the National Assembly for Wales, to impose new duties on Ministers and other public bodies in Wales relating to child poverty.

Part 2 of the Bill – which imposes new duties on local authorities relating to child poverty – applies only to local authority areas in England.

For background and methodology on poverty statistics see House of Commons Library Research Paper 04/23, *Poverty: Measures and Targets*. This included data up to 2001/02; for the latest income poverty statistics see the DWP's *Households Below Average Income* report. For poverty statistics at the region/country level within the UK see Library Standard Note SN/EP/4627, *Poverty: Regional statistics*; and for UK and European income inequality statistics see Standard Note SN/EP/3870, *UK income inequality (with international comparisons)*.

1 Background

1.1 Poverty: definitions and measures

There is no single, universally accepted definition of 'poverty'. Discussions about poverty often start with the distinction between 'absolute' and 'relative' concepts, although some commentators argue that the distinction is unhelpful, or even meaningless.¹

'Absolute poverty' is usually taken to mean the lack of resources necessary for basic subsistence.² 'Relative poverty' may mean different things, but the basic proposition is that poverty can only be understood in the context of the society where it occurs. On one level, this could simply mean that poverty is socially defined, in which case it could be argued there is no real difference between absolute and relative concepts; what constitutes 'subsistence', and what is needed to achieve it, will obviously vary according from one society to another and between different points in time. There is however a further comparative element to relative poverty. In order to determine whether or not someone is in relative poverty, it is necessary to look at their circumstances in relation to others around them in society at the same point in time.

In his influential study *Poverty in the United Kingdom*, Peter Townsend argued:

Poverty can be defined objectively and applied consistently only in terms of the concept of relative deprivation. [...] Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs or activities.³

How poverty should be conceptualised has in the past been the subject of political disagreement, but there is now broad agreement across the political spectrum in the United Kingdom that poverty cannot be viewed in absolute terms alone.⁴

To measure the prevalence of poverty it is necessary to be able to distinguish the poor from the non-poor. There is no objective way of doing this; all approaches involve, to some degree, value judgements. The traditional approach involves establishing an income threshold and calculating how many individuals, families or households fall below it. The question is how to establish the income threshold. There is no single correct approach; a wide range of methods has been used in different countries and at different times. Moreover, there is the question of whether income, at least as it is recorded in sample surveys, is itself a reliable indicator of living standards. Alternative approaches look at a broader range of indicators of material deprivation, or combine low income with other deprivation indicators to provide a wider measure of living standards (see Part 1.3 below).

Further information on issues relating to the definition and measurement of poverty can be found in the appendices to this paper and in Library Research Paper 04/23.⁵

¹ See for example Child Poverty Action Group, *Poverty: the facts*, 5th edition, 2004, pp15-16

² Confusingly, Government statements sometimes refer to figures on individuals in households below income thresholds held constant in real terms over time as indicating the numbers living in 'absolute poverty', but this is quite different from the ordinary meaning

³ P Townsend, *Poverty in the United Kingdom*, 1979, p31

⁴ See for example the Conservative Party Social Justice Policy Group, *Breakdown Britain: The state of the nation report: economic dependency*, interim report, December 2006

⁵ *Poverty: Measures and Targets*, 4 March 2004

1.2 Child poverty and policy since the Second World War

In the years following the Second World War there was a widespread belief that the creation of the welfare state and the achievement of full employment had virtually eliminated the problem of poverty. Seebhom Rowntree, and others, had highlighted in surveys during earlier decades of the Twentieth Century.⁶ This appeared to be confirmed by Rowntree's third (1950) study of York which found that, using a slightly modified version of his 1936 poverty line, poverty had virtually disappeared, at least for children and people of working age.⁷ Furthermore, the authors concluded that without welfare measures and food subsidies, poverty would have been substantially higher than it was (25 per cent, compared with less than five per cent).⁸ Findings such as these contributed to the notion that poverty had been defeated and, as a result, poverty 'disappeared from the political radar' in the 1950s.⁹

By the 1960s however evidence was beginning to emerge which called into question the received position. Most notably, in 1965 Brian Abel-Smith of the London School of Economics and Peter Townsend of the University of Essex published ground-breaking research based on analysis of income data from the official Family Expenditure Survey, the survey used to construct the Retail Price Index.¹⁰ Using a poverty line linked to National Assistance rates¹¹, Abel-Smith and Townsend found that 14.2 per cent of the population were living in or on the margins of poverty in 1960, up from 7.8 per cent in 1953-54. They drew particular attention to the extent of poverty among children. Of the 7.5 million people found to have a 'low level of living' in 1960, around three million were of pensionable age – the group acknowledged to have the greatest risk of poverty – but around 2.25 million were children. 'This fact', they commented, 'has not been given due emphasis in the policies of the political parties'.¹²

The so-called 'rediscovery of poverty' gave impetus to the newly-created Child Poverty Action Group (CPAG) and put child poverty back on the political agenda for the first time since the 1940s.¹³ Amid growing concern about social conditions generally, other campaigning groups along similar lines sprung up in the late 1960s and early 1970s, including Shelter, CHAR (the Campaign for the Homeless and Rootless), the Disablement Income Group (DIG), Gingerbread and the Low Pay Unit. In his 'biography' of the welfare state, Nicholas Timmins comments that the various campaigning groups which emerged at this time – which collectively came to be known as the 'poverty lobby' – '...while generating a mix of optimism and outrage, only served to highlight apparent inadequacies in the welfare state at a time when strains on it seemed to be increasing in all directions'.¹⁴

In 1968 the Labour Government, following political pressure from the CPAG and its backers, increased the Family Allowance (which had barely changed in cash terms since the early 1950s), funded in part by clawing back the increase from standard rate taxpayers. Dissatisfaction with the Labour Government's response to poverty however led the CPAG to

⁶ See for example B S Rowntree, *Poverty: A study of town life*, 1901; B S Rowntree, *Poverty and progress: a second social survey of York*, 1941

⁷ B S Rowntree and G R Lavers, *Poverty and the Welfare State*, 1951

⁸ A recent reanalysis of the data used by Rowntree and Lavers suggests however that they underestimated the level of poverty in 1950 and overestimated the impact of post war welfare reforms; see T Hatton and R Bailey, 'Seebhom Rowntree and the post-war poverty puzzle', *Economic History Review*, 2000, 53(3), pp517-543

⁹ Glennerster et al, *One hundred years of poverty and policy*, Joseph Rowntree Foundation, 2004, p85

¹⁰ Abel-Smith and Townsend, *The Poor and the Poorest*, 1965

¹¹ National Assistance was the means-tested 'safety net' introduced in 1948. It was replaced by Supplementary Benefit in 1966, which in turn was replaced by Income Support in 1988

¹² *Ibid.* p65

¹³ Glennerster, *British Social Policy: 1945 to the Present*, 3rd edition, 2007, p117

¹⁴ Nicholas Timmins, *The Five Giants*, 2001, p257

publicly criticise Labour's record in the run-up to the 1970 General Election.¹⁵ CPAG's proposal to tackle child poverty by further increasing Family Allowances while reducing tax allowances for better off families received the endorsement of the Conservatives in Opposition, but on taking power in 1970 the Conservative Government decided instead to introduce means-tested support for low income families – Family Income Supplement (FIS). FIS was criticised from the outset because of low take-up and its impact on work incentives¹⁶, and sparked a debate which continues to this day on the relative merits of universal and means-tested support for families. FIS was originally intended as a temporary measure, but it lasted until 1988 when it was replaced by Family Credit, a more generous means-tested benefit for low income families with children.

Ambitious plans drawn up by the 1970-74 Conservative Government for a system of tax credits¹⁷ came to nothing, but one of the elements to emerge from this – a proposal for a new benefit for children – was taken forward by the incoming Labour Government in 1974. Child Benefit – which replaced Family Allowances and Child Tax Allowances with a new benefit, payable for every child direct to the mother¹⁸ – was introduced in 1977 and fully phased in by 1979, but only after protracted political argument and intense lobbying by pressure groups.¹⁹

During the 1980s there was a shift in the focus of welfare policy away from redistribution, with greater emphasis on the need to restrain and reduce welfare spending and to improve incentives to work.²⁰ The term 'poverty' largely disappeared from the official vocabulary after 1979. Indeed, in his famous 'end of the line for poverty' speech on 11 May 1989,²¹ John Moore, then Secretary of State for Social Security, argued that absolute poverty no longer existed, and that relative poverty was no more than inequality. He pointed out that a poverty line linked to Income Support rates would result in meaningless estimates since the figures would automatically increase if benefit levels were made more generous. Claims that a third of the population were in poverty or on its margins were "bizarre", and given the evidence of the extent of ownership of consumer durables among the poorest fifth of families it was "utterly absurd" to claim that one in three people in Britain was in "dire need". He went on to argue that critics of the Government's policies were:

...not concerned with the actual living standards of real people but with pursuing the political goal of equality... We reject their claims about poverty in the UK, and we do so knowing that their motive is not compassion for the less well-off... Their purpose in calling 'poverty' what is in reality simply inequality, is so they can call western capitalism a failure.²²

¹⁵ Peter Townsend and Frank Field, *Poverty and the Labour Government*, CPAG, 1970. The pamphlet – which argued that 'in many respects the plight of poor families is now worse than when the [Labour] Government took office' – provoked intense political argument and the evidence was disputed by Ministers: see for example Timmins, *op cit*, pp276-278

¹⁶ The problem of high marginal tax rates facing low-income families was first dubbed the 'poverty trap' in an article by Frank Field and David Piachaud in the *New Statesman* on 3 December 1971

¹⁷ See the Green Paper *Proposals for a Tax-Credit System*, Cmnd 5116, 1972; and the subsequent *Report of the Select Committee on Tax-Credit*, HC 341 1972-73

¹⁸ The potential problem of the unequal distribution of income *within* households had long been recognised but came to the fore during the debates of the 1970s; see for example M Henwood and M Wicks, *Benefit or burden? The objectives and impact of child support*, Family Policy Studies Centre, 1986

¹⁹ For an account of the political furore over the introduction of Child Benefit, see M McCarthy, *Campaigning for the Poor: CPAG & the Politics of Welfare*, 1986

²⁰ See Hills in Glennerster et al, *One hundred years of poverty and policy*, Joseph Rowntree Foundation, 2004, p95

²¹ Conservative Political Centre, *The end of the line for poverty: text of a CPC lecture delivered by John Moore at the St Stephens Club*, 11 May 1989

²² *ibid.*, p14. For more recent reflections on the Conservative Government's attitude towards poverty in the 1980s see the Conservative Party Social Justice Policy Group, *Breakdown Britain: The state of the nation report: economic dependency*, interim report, December 2006, pp4-6

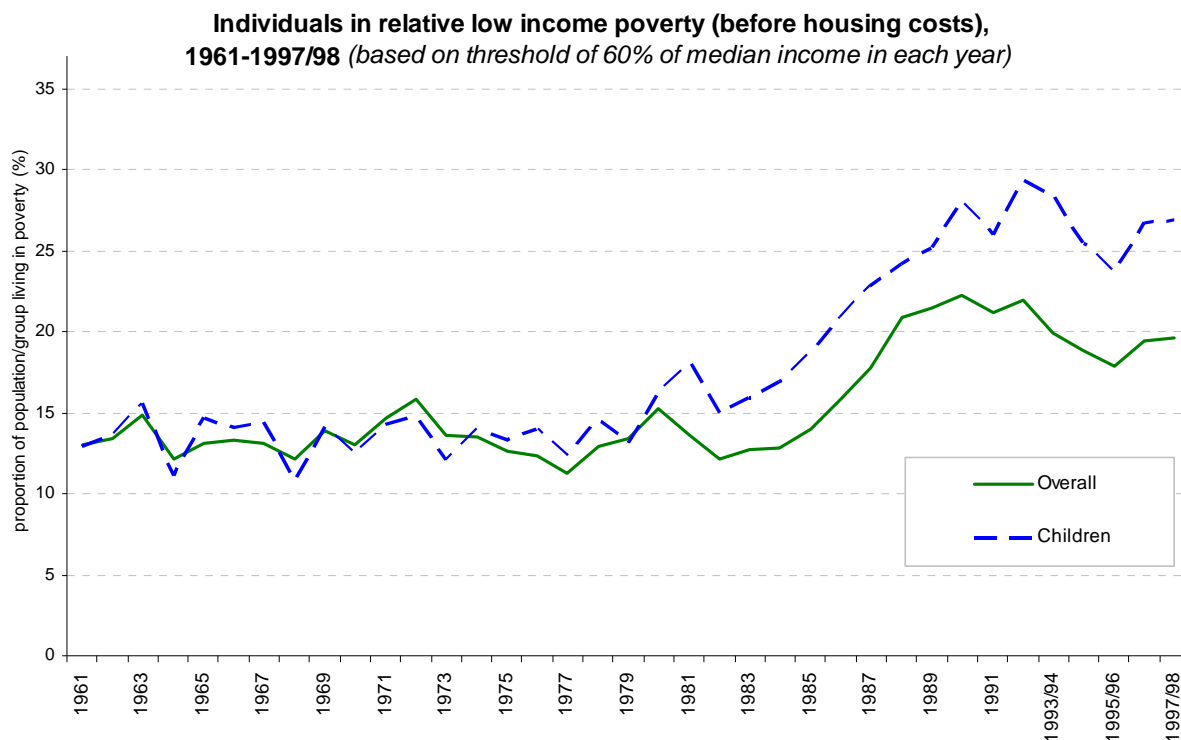
Later Government statements however emphasised the difficulty in reaching consensus on a workable definition of poverty. A written answer in 1994 stated:

No Government in the United Kingdom have ever accepted that it is possible to identify a single simple measure to define poverty in any meaningful way. A great many methods have been used by various academics to identify a “poverty line”, but none has received general acceptance.

Rather than relying on narrow arbitrary definitions this Department publishes an extensive range of analyses and information of the incomes and characteristics of people in the lower half of the income distribution. These analyses can be found in “Households Below Average Income”.²³

The annual publication *Households Below Average Income* (HBAI) remains the main source of official data on the distribution of income and low-income poverty in the United Kingdom.²⁴ Official HBAI data is available from 1979, but independent analysis of earlier survey data by researchers at the Institute for Fiscal Studies, using the same methodology as HBAI, provides an indication of how the income distribution has evolved over a longer period. The following charts show the percentage of children, and of the population as a whole, living in households with incomes below 60 per cent of the median – a frequently used poverty threshold – when income is measured before and after housing costs respectively, from 1961 to 1997/98.²⁵

Chart 1



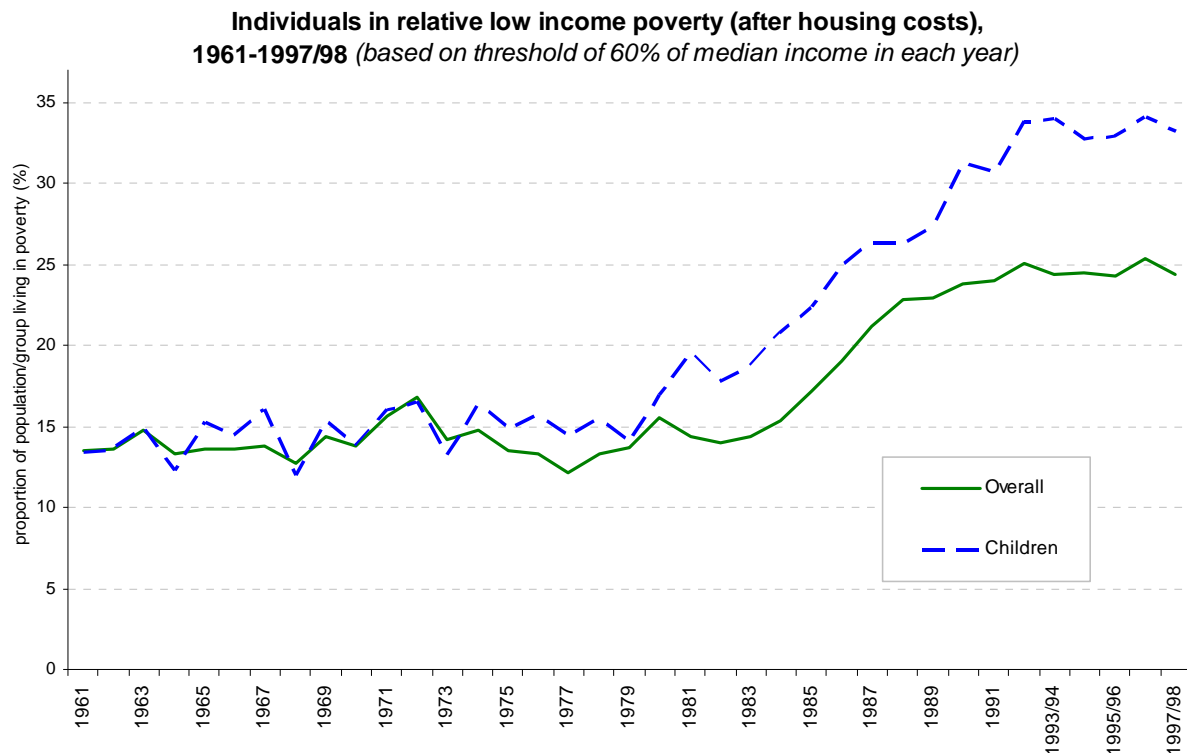
Source: Institute for Fiscal Studies, "Poverty and Inequality" data tables (www.ifs.org.uk/bns/bn19figs.zip)

²³ HC Deb 13 July 1994 c642w

²⁴ HBAI reports and data are available at the DWP website

²⁵ Dataset originally published alongside *Inequality and living standards in Great Britain: some facts*, IFS Briefing Note 19, December 2002. The IFS publishes [updated figures](#) on its website. This update accompanied *Poverty and Inequality in Britain: 2009*, IFS Commentary 109, May 2009

Chart 2



Source: Institute for Fiscal Studies, "Poverty and Inequality" data tables (www.ifs.org.uk/bns/bn19figs.zip)

The most obvious change over the period was the sharp increase in relative low income rates in the 1980s. From 1961 until the end of the 1970s the proportion of children and of the population as a whole living in households below 60 per cent of median income remained broadly stable, but from around 1980 the rates increased sharply. Between 1979 and the early 1990s the proportion of children in households below the 60 per cent threshold more than doubled, the increase being more marked when income is measured after housing costs. Over the period, the risk of poverty for children also increased relative to the general population.

The increase in relative income poverty rates from the early 1980s mirrors the well-documented increase in income inequality over this period, which has been described as 'one of the biggest social changes in Britain since the Second World War'.²⁶ Factors identified as having contributed to this increase include:²⁷

- The deep recession of the 1980s and associated increases in unemployment and economic inactivity
- A weakening in the labour market position of unskilled workers (men in particular) and an increase in the dispersion of earnings
- The concentration of work in fewer households, with an increasing polarisation between two-earner households and workless households
- Changes in society, including a large increase in the number of lone parent families

²⁶ J Hills, *Inequality and the State*, 2004, p1

²⁷ See for example Hills in Glennerster et al, *One hundred years of poverty and policy*, Joseph Rowntree Foundation, 2004, pp92-131; *Income and wealth: Report of the JRF Inquiry Group*, 1995

- Changes to social security benefits, including the decision in 1980 to uprate social security benefits in line with prices rather than earnings

From the early 1990s onwards the proportion of children living in households with income below 60 per cent of the median changed less than over the previous decade, but remained higher than before. By 1997/98, 27 per cent of children were living in households below 60 per cent of the median when income was measured before housing costs, up from 13 per cent in 1979. After housing costs, the increase was even greater, from 14 per cent to 33 per cent.

1.3 Announcement of the child poverty targets

Labour's 1997 General Election Manifesto made no specific mention of child poverty. The newly-elected Government did however set up the 'Social Exclusion Unit', reporting directly to the Prime Minister, to look into problems of multiple disadvantage and to work across government to promote policies towards socially excluded groups.²⁸ The creation of the Social Exclusion Unit was announced by the then Minister without Portfolio, Peter Mandelson, in a lecture delivered to the Fabian Society on 14 August 1997.²⁹ The lecture followed Tony Blair's major speech given at the Aylesbury Estate in Southwark shortly after Labour came to power, in which he set out the new Government's ambition to tackle poverty and disadvantage, promising there would be no "forgotten people" in the Britain he wanted to build.³⁰

It was not until Labour's second year in power that the child poverty pledge was made. In his Beveridge Lecture at Toynbee Hall on 18 March 1999, Tony Blair announced:

Our historic aim will be for ours to be the first generation to end child poverty, and it will take a generation. It is a 20-year mission but I believe it can be done.³¹

The Chancellor of the Exchequer, Gordon Brown, followed this with an announcement in his Pre-Budget Statement on 9 November 1999 of an intermediate goal to halve child poverty by 2010.³²

In July 2000, the Government announced that it would, among other goals, 'make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004.'³³

For the purposes of determining whether the target for 2004 had been met, the Government announced that it would look at the change between 1998/99 and 2004/05 in the number of children living in households with incomes below 60 per cent of the contemporary median, as reported in *Households Below Average Income*.³⁴ The target was included in the Public Service Agreements (PSAs) for 2001-2004 for both the Treasury and the then Department for Social Security.³⁵

Child poverty outcomes up to 2007/08, and the prospects for meeting the interim 2010 target, are considered in Part 2 below.

²⁸ For further information on social exclusion and how it relates to poverty see Library Standard Note SN/SP/4221, *Social exclusion*

²⁹ *Labour's next steps: Tackling social exclusion*, published subsequently as a Fabian Society pamphlet

³⁰ *The Will to Win*, 2 June 1997

³¹ 'Beveridge revisited: a welfare state for the 21st century', speech given at Toynbee Hall, 18 March 1999; reproduced in R Walker (ed.), *Ending child poverty: Popular welfare for the 21st century?*, 1999

³² HC Deb 9 November 1999 c883

³³ HM Treasury, *Spending Review 2000: Public Service Agreements 2001-04*, Cm 4808, July 2002, Box 3.1

³⁴ HC Deb 10 December 2002 cc265-266w.

³⁵ [DSS PSA 2001-2004: Technical Note](#)

1.4 The first child poverty measurement consultation

On 18 April 2002 the new Department for Work and Pensions published a consultation paper on how child poverty should be measured for the purposes of gauging progress towards the targets for 2010 and 2020.³⁶ On 18 December 2003 the Government published its final conclusions from the child poverty measurement consultation:

Following the consultation exercise, further methodological work and discussion with experts, we have decided that a **tiered approach** is the best way in which we can monitor progress on child poverty over the long term. This uses a set of inter-related indicators (tiers) capturing different aspects of poverty whilst respecting the finding of our consultation that income is at the core of people's conception of poverty. Each has significance in its own right and our objective is to make progress against all indicators.³⁷

The first two tiers would measure income poverty according to absolute and relative thresholds respectively, while the third would comprise both low income and material deprivation:

Absolute low income – to measure whether the very poorest families are seeing their incomes rise in real terms, we will monitor the number of children living in families with incomes below a particular threshold which is adjusted for inflation – set for a couple with one child at £210 a week in today's [i.e. 2003] terms.

Relative low income – to measure whether the poorest families are keeping pace with the growth of incomes in the economy as a whole, we will monitor the number of children living in households below 60 per cent of contemporary median equivalised household income.

Material deprivation and low income combined – to provide a wider measure of people's living standards, we will monitor the number of children living in households that are both materially deprived and have an income below 70 per cent of contemporary median equivalised household income.

Using this measure, poverty is falling when all three indicators are moving in the right direction.³⁸

The Government argued that looking at income alone would be 'too narrow a focus'; this was generally accepted by those who took part in the consultation:³⁹

There was strong support in the consultation exercise for some measure of material deprivation to form part of our overall long-term measure. Deprivation measures resonate well with the public perception of poverty and the view that a poverty measure should encompass some idea of the practical effects that result from living in low income. We also know that there is a strong relationship between material deprivation and persistent low income. As time spent in low income increases, the severity of deprivation increases.

There is not a perfect relationship between income and living standards and it is widely accepted that measured incomes do not always reflect living standards, especially at the bottom of the income distribution. Research looking at overlaps in dimensions of poverty clearly shows that those who are both income-deprived and materially

³⁶ Department for Work and Pensions, [Measuring child poverty: A consultation document](#)

³⁷ Department for Work and Pensions, [Measuring child poverty: Final conclusions](#)

³⁸ *ibid.*, p7

³⁹ *ibid.*, p4

deprived are very different from the non-deprived, and the difference is much more pronounced than when using one of these measures alone. This suggests the use of a combined income and deprivation tier may be especially informative.

Using both income and deprivation also overcomes the somewhat problematic issue for material deprivation measures – that of choice. By building in low income, we minimise the risk that those saying they cannot afford items may not be poor, but may instead be spending their money elsewhere on items not included in the material deprivation measure.

We have therefore concluded that a better measure of living standards can, at any point in time, be obtained by measuring both low income and material deprivation combined so that we can focus on households whose low incomes are leading to deprivation.⁴⁰

The deprivation indicators to be used for the third tier poverty measure were arrived at by analysis of existing data sources. The set of indicators chosen were those which, using a variety of methods, best discriminated between poor and non-poor families.⁴¹ The deprivation questions were first included in the *Family Resources Survey* in 2004/05.

The commitment made by Tony Blair in 1999 was to end child poverty within 20 years. The Government's response to the *Measuring child poverty* consultation stated:

Whereas in 1997 our child poverty ranked amongst the worst in Europe, the position is now improving and we will strive to be eventually amongst the best. Of course, it is not feasible to reach a level of zero on any survey-based income measure – the 'snapshots' recorded will always classify as poor some with high living standards but transitory low incomes. So, even Scandinavian countries like Denmark and Sweden, which have long been judged to have the world's best record on child poverty still have some children in relative low income. Material deprivation, by contrast, is not as affected by transitory changes in income, and so it is feasible to approach zero on this measure.

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 on relative low incomes.⁴²

A footnote added:

Possible ways to define being 'amongst the best in Europe' could include: having a relative child poverty rate no higher than the average of the best three countries in Europe; having a relative child poverty rate no higher than the average of the best four countries in Europe; and, having a relative child poverty rate that was within 2 percentage points of the average of the best three countries in Europe. Achieving any of these on current definitions would mean having a poverty rate between that of Sweden and Denmark.⁴³

⁴⁰ *ibid.*, p13

⁴¹ *ibid.*, p12

⁴² *ibid.*, p20

⁴³ *ibid.*, p20

The lowest child poverty recorded in any European country up to 2001 was 5 per cent.⁴⁴ If the child poverty rate in the UK were reduced to this level, around 600,000 children would still be in poverty.⁴⁵

Statistics on child poverty in European countries are given in Appendix 3.

1.5 Party positions

Conservative Party

In an article published in *The Guardian* on 11 April 2006 Oliver Letwin, Chairman of the Conservative Party's Policy Review, announced that his Party was committed to the Labour Government's target of ending child poverty by 2020.⁴⁶ He added:

It is an aspiration, not a pledge, because we do not know how far from it we will be when we enter government. On current trends, we will miss our shared goal. If we don't change direction, ending our reliance on the chancellor's blunt tool of cash transfers, we will continue to move those just below the target to a position just above, without helping those at the very bottom.

Mr Letwin said that 'deep deprivation' was often passed down from one generation to another, and that the challenge was to 'empower people to break free from this trap'. He went on to emphasise the role of communities themselves and 'social entrepreneurs' in helping tackle the 'cycle of multiple deprivation'.

In an article in *The Sunday Telegraph* on 24 February 2008, the Shadow Work and Pensions Secretary, Chris Grayling, reiterated that the Conservatives endorsed and shared the 'widely held aspiration' to eliminate child poverty by 2020, but said that his Party was 'profoundly worried that the lack of progress by the current Government is putting that aim in jeopardy'.⁴⁷

A policy paper issued by the Conservative Party in April 2008⁴⁸ argued that the Labour Government's approach to social justice was failing, citing recent increases in child poverty and other evidence suggesting that Britain had low levels of child well-being and social mobility compared to other countries in the developed world. It added:

Labour's one-dimensional approach, relying on means-tested benefits to offset the effects of poverty, is ultimately unsustainable. By undermining work incentives and increasing benefit dependency it could even make poverty worse in the long term.

Our aim should be more ambitious. As well as correcting low wages and family poverty after the event, we should be building a Britain in which people are helped to fulfil their aspirations for themselves and their families, and to lift themselves out of poverty through their own efforts.

Conservatives share the aspiration to halve child poverty by 2010 and eliminate it by 2020, but we need a new approach that tackles the underlying causes of poverty, not just the symptoms. This means addressing deep-rooted problems such as educational failure, family breakdown, drug abuse, indebtedness and crime.⁴⁹

⁴⁴ *Ibid.*, pp10-11

⁴⁵ Work and Pensions Committee, *Child Poverty in the UK*, 14 January 2004, HC 85-iii 2003-04, evidence from Alissa Goodman, Institute for Fiscal Studies, Q268

⁴⁶ 'Why we have signed up to Labour's anti-poverty target', *The Guardian*

⁴⁷ 'How we can end this pitiful culture of dependency', *The Sunday Telegraph*

⁴⁸ *Making British Poverty History*, April 2008

⁴⁹ *Ibid.*, Executive Summary

Organisations concerned with child poverty, while welcoming the Conservatives' announcements, have argued that the Party should make a firm commitment to eradicate child poverty rather than expressing it as an 'aspiration'.⁵⁰ Others have suggested that referring to those living in households below 40 per cent of median income as living in 'severe poverty' – as the Conservatives have done – is unhelpful because at the very bottom of the income distribution, income may not be a reliable indicator of living standards.⁵¹

Liberal Democrats

A policy paper agreed at the 2007 Liberal Democrat Conference⁵² set out a series of proposals aimed at, among other things, reducing child poverty and improving opportunities for children and families. The paper detailed measures in a number of areas including:

- Education
- Housing and communities
- Employment policies and earnings
- Reform of pensions, benefits and tax
- Cutting the 'poverty premium' in access to services

The section on reform of pensions, benefits and tax included a commitment on child poverty:

Poverty and deprivation in childhood undermines opportunity and freedom. The disadvantage begins at birth and continues throughout education and adult life, affecting work, health and well-being. Child poverty is still too high in Britain. In this Paper we commit the Liberal Democrats for the first time to the target of eliminating UK child poverty by 2020 - defined as reducing child poverty to amongst the lowest levels in the European Union. However, Labour's 'one club' reliance on means-tested tax credits to deliver this target is unsustainable – and it would lead to eccentric distortions to the benefits system.⁵³

The paper noted that research had highlighted the possible detrimental effect on work incentives of increasing reliance on means-tested Child Tax Credit, and the high cost of relying on tax credits and benefits alone to tackle child poverty. It went on:

Liberal Democrats believe that the Government should use a wider range of measures to reduce child poverty including: increasing employment rates, cutting the tax burden on those on low incomes, higher non means-tested benefits and cutting costs faced by low income households. Educational outcomes are particularly vital in the long term, and the impact of parental income on education is small compared to the overall gap in attainment between rich and poor children. Extra benefit spending will not by itself close the educational attainment gap. Instead, initiatives to improve skills and employment opportunities are vital to tackling the problem of persistent poverty and must go hand in hand with direct steps to improve disposable incomes.

Liberal Democrats propose to make greater use of the non means-tested Child Benefit, to deliver the child poverty targets. The take up rate for child benefit is almost 100%,

⁵⁰ See for example CPAG press release, *Cameron must prove that he 'means it' with child poverty promise*, 28 April 2008; 'Barnardo's head slams Tories on poverty', *Community Care*, 2 October 2008

⁵¹ See for example Brewer *et al*, *Poverty and Inequality in the UK: 2009*, IFS Commentary C109, May 2009, p34

⁵² *Freedom from Poverty, Opportunity for All*, Liberal Democrat Policy Paper 80, Autumn 2007

⁵³ *Ibid.* para 6.3.1

and it is cheap to administer (£10m per year versus almost £500m per year for tax credits). Tax Credits are means tested benefits and as such suffer from the familiar problems of means tested benefits of complexity, high administration costs and high levels of fraud and error yet the family element of Child Tax Credits is almost universal, currently available to almost nine-tenths of all families (families with incomes of almost £60,000). We believe it would make far greater sense to remove millions of families from Tax Credits who currently receive the family element and instead pay it to all families through Child Benefit. This means every family would receive an increase in Child Benefit of up to £5 per week, through the elder child rate of Child Benefit, helping to reduce the number of people living in poverty by 400,000; 250,000 adults and 150,000 children. We would like to see further investment in improved Child Benefit directed at second and subsequent children to help remove larger families from poverty.⁵⁴

⁵⁴ *Ibid.* paras 6.3.2-6.3.3

2 Progress towards the 2010/11 child poverty target

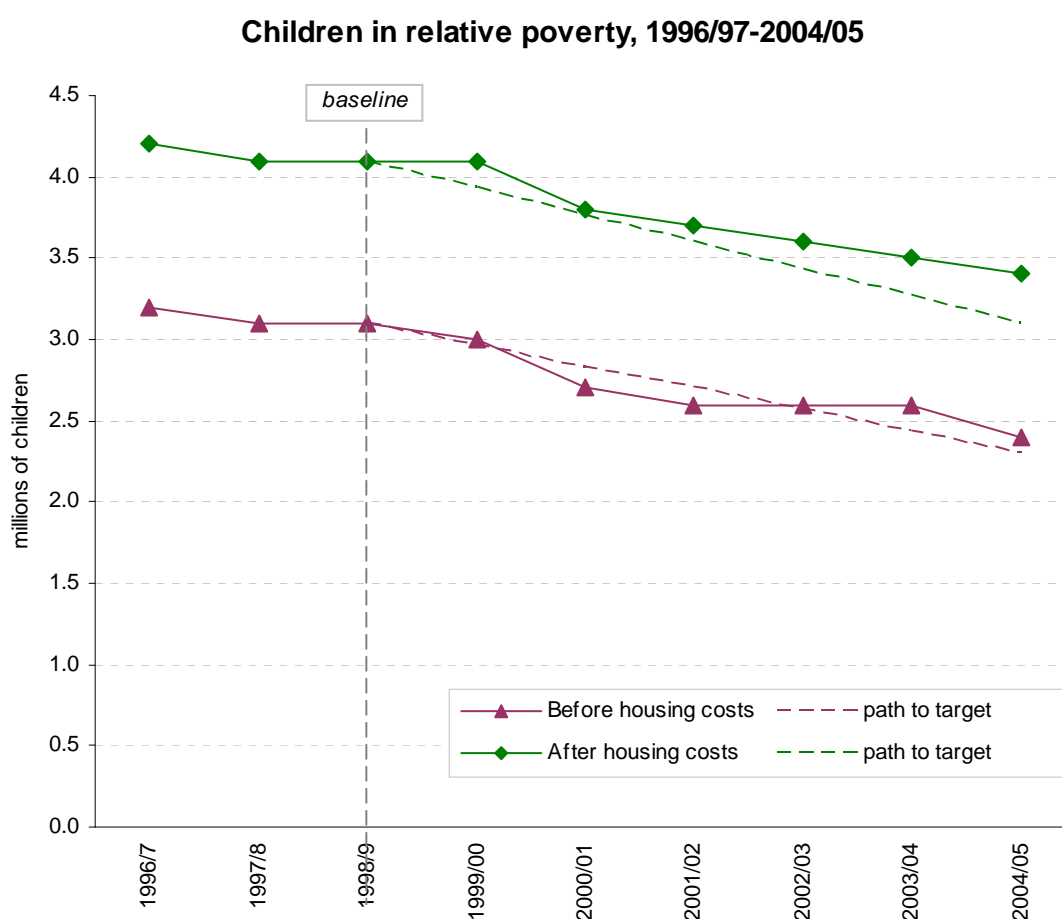
2.1 The 2004/05 target: What happened?

In 1999 the Government set a target of reducing child poverty by a quarter between 1998/99 and 2004/05, as a step towards halving it by 2010/11 and a goal of 'eradicating' it by 2020.

Progress towards the target was to be gauged by looking at the number of children in households below 60% of median income, on both a before and an after housing costs basis (BHC and AHC). The baseline used for this target was 1998/99, when there were 3.1 million (BHC) and 4.1 million (AHC) children in poverty. The targets were therefore 2.3 million (BHC) and 3.1 million (AHC).

This target was missed, by 100,000 on a BHC basis, and by 300,000 on an AHC basis. The chart and table below illustrate what happened between 1996/97 and 2004/05. As the chart shows, the BHC measure was on track initially, but fell behind in 2002/03, while the gap between the AHC measure and the required path grew wider after 2000/01.⁵⁵

Chart 3



⁵⁵ Further analysis of performance against the 2004/05 target is provided in Library standard note [SN/EP/4759](#), *The 2004/05 child poverty target: What happened?*

Table 1

Children in relative poverty, 1996/97-2004/05

below 60% of contemporary median income, % & numbers (millions)

Year	BHC		AHC		All children (m)
	%	m	%	m	
1996/97	25	3.2	33	4.2	12.7
1997/98	25	3.1	32	4.1	12.7
1998/99 (baseline)	24	3.1	33	4.1	12.7
1999/00	23	3.0	32	4.1	12.7
2000/01	21	2.7	30	3.8	12.7
2001/02	21	2.6	30	3.7	12.6
2002/03	21	2.6	28	3.6	12.6
2003/04	21	2.6	28	3.5	12.5
2004/05 (out-turn)	19	2.4	27	3.4	12.6
2004/05 (target)		2.3		3.1	
difference (estimate) (a)		0.1		0.3	
<i>Changes:</i>					
1996/97 - 2004/05 (OfA)		-0.7		-0.8	-0.2
1998/99 - 2004/05 (PSA)		-0.7		-0.7	-0.1

Notes: (a) based on figures pre-rounded to nearest 100,000

Source: DWP, HBAI 2004/05: First Release, 9 March 2006, tables 3.1 & 3.2

This target no longer applies, but in May 2009 the Institute for Fiscal Studies (IFS) noted that using the same methodology, the increase in child poverty levels since the target year meant that by 2007/08 “the government is now short of its original 2004–05 target by 300,000 measuring incomes BHC or by 600,000 measuring incomes AHC”.⁵⁶ This represents reductions of 16% (BHC) and 9.0% (AHC) between 1998/99 and 2007/08, rather than the 25% target.

2.2 The 2010/11 target

After consultation, a new approach to measuring child poverty using three indicators was adopted for assessing progress towards the 2010/11 target for halving child poverty, although only one of the indicators has a national target.⁵⁷ The three indicators are:

- **Relative low income:** the number of children living below 60% of median income in each year;
- **Absolute low income:** as above, but using a threshold of 60% of the median income in 1998/99 (the ‘base year’) held constant over time (but up-rated with inflation);
- **Material deprivation/low income:** a new measure, taking into account the lack of certain necessities as well as living in a low income household, this time based on the slightly higher threshold of 70% of median income in each year.

The 60% of median relative low income measure was retained from the 2004/05 target, with some changes to the methodology (see Appendix 2). While absolute low income poverty statistics (that is, using an income threshold fixed over time, rather than a concept of absolute poverty) had previously been available, they did not form part of the 2004/05 target.

⁵⁶ “Poverty & Inequality in the UK 2009”, *IFS Commentary* 109, May 2009 (calculated using the McClements equivalence scale, rather than OECD equivalence scale now used)

⁵⁷ See also DWP, *Measuring child poverty consultation: Final conclusions*, 18 Dec 2003

However, the material deprivation/low income measure was new, requiring additional data to be gathered and presented in the annual *Households Below Average Income* (HBAI) report.⁵⁸ The survey now asks households whether they have 21 goods and services and, if not, whether this is because they do not want them, or because they cannot afford them. Only those that cannot be afforded count for the purposes of determining 'material deprivation'.⁵⁹

2.3 CSR 2004 PSA target

The 2010/11 child poverty target has had Public Service Agreement (PSA) targets under both the 2004 and 2007 Comprehensive Spending Review (CSRs).

The 2004 CSR included a PSA target, shared between the DWP and the Treasury, to halve child poverty between 1998/99 and 2010/11.⁶⁰ As noted above, three indicators were outlined:⁶¹

- **Relative low income:** the 1998/99 baseline was 3.4 million (then for Great Britain only), on a before housing costs basis, giving a target of 1.7 million in 2010/11.
- **Absolute low income:** the 1998/99 baseline (for GB) was the same as for relative poverty, but by 2002/03 child poverty levels were already less than half that level. The PSA guidance states "The target for absolute low income will be to make further progress so that there are fewer than 1 million children in absolute low income by 2010-11, compared with 3.4m in 1998-99."
- **Material deprivation & low income:** the note acknowledged the lack of data prior to 2004/05, and states that the target would be met if between 2004/05 and 2010/11 "there is an equivalent proportionate reduction to that required on the relative low-income target" over the same period.

2.4 CSR 2007 PSA target

The 2007 CSR also included a target to halve child poverty "by 2010-11, on the way to eradicating child poverty by 2020" (PSA9). The Treasury is the lead department, with the Department for Children, Schools & Families and the DWP also having responsibility.

The CSR report stated that the same indicators would be used to monitor this PSA as the 2004 PSA.⁶² However, the specific 2010/11 targets for absolute low income and material deprivation/low income in the 2004 target were not included in the 2007 target.

Only the **relative low income indicator** (indicator 2) has a national target associated with it: to halve it from the 1998/99 baseline level of 3.4 million children by 2010/11.⁶³ This national target will be assessed in 2012, when the 2010/11 poverty data will be available.

⁵⁸ The annual *Family Resources Survey* (from which *Households Below Average Income* data are derived).

⁵⁹ HM Treasury, *PSA Delivery Agreement 9*, October 2007, p5. A 'prevalence weighting' is used for each item, based on the proportion of households that do have them, such that those items owned by the most people contribute more to the measure for those that lack them. Total material deprivation scores resulting from these weightings range from zero to 100, with 'material deprivation' is defined as being a score of 25 or more. The Government states: "Analysis has shown that this score is a good discriminator between those that are deprived and those that are not." (*ibid.*, p25)

⁶⁰ HM Treasury, *CSR 2004: DWP PSA targets*, p37, under 'Objective I'. The findings of a Child Poverty Review were published alongside the CSR: see HM Treasury, *Child Poverty Review*, July 2004

⁶¹ DWP, *Public Service Agreement for 2005-2008: Technical Note*, pp4-5

⁶² HM Treasury, *Comprehensive Spending Review 2007, Annex C: Public Service Agreements*, p190. A delivery agreement for this PSA target briefly expanded on the reasons for the three indicators (*HM Treasury, PSA Delivery Agreement 9*, October 2007).

The 2007 PSA gives 1998/99 baselines for the other two indicators – the same 3.4 million children for the **absolute low income indicator** (indicator 1) and 2.6 million for **material deprivation/low income indicator** (indicator 3). However, no specific targets are included

These two indicators are “expected to improve against baseline trends” over the CSR period as with all other PSA indicators without a national target applied.⁶⁴ For the **material deprivation/low income indicator**, no data were available before 2004/05 and so the baseline was derived assuming a reduction since 1998/99 of 20%, a change “as large as that made on the relative low-income indicator”.⁶⁵

2.5 Progress so far (to 2007/08)

The tables and charts below show baselines and progress so far, up to 2007/08,⁶⁶ and the relative low income target.

Table 2

Child poverty in the UK: 1998/99, 2007/08 & 2010/11 target
millions, before housing costs

Indicator	1998/99 baseline	2007/08	2010/11 target
Relative poverty	3.4	2.9	1.7
Absolute poverty	3.4	1.7	
Material deprivation	2.6	2.2	

Sources: DWP, *HBAI 2006/07: First Release*, 7 May 2009, tables 3.2 & 3.3

At 2.9 million on the relative low income target measure, the number of children in poverty was unchanged in 2007/08 compared with 2006/07 (after 100,000 increases in both of the two previous years). On a more precise measure presented by the IFS, relative poverty was actually up slightly, by 20,000, in 2007/08 (HBAI reports changes rounded to the nearest 100,000).⁶⁷

‘Absolute’ low income poverty was also unchanged, at 1.7 million children, having increased by 100,000 in 2006/07. The material deprivation/low income indicator also saw an increase of 200,000 children to 2.2 million, following a 100,000 reduction in 2006/07, returning to the level it stood at in 2004/05.

⁶³ [HM Treasury, PSA Delivery Agreement 9](#), October 2007, pp21 & 23. The baseline differs slightly from the one used for the 2004/05 target due to changes to methodology (see [Appendix 2](#)), including the inclusion of Northern Ireland in a UK-wide measure, although as no Northern Ireland data for prior 2001/02 exists, the 1998/99 figure was imputed.

⁶⁴ HM Treasury, [Comprehensive Spending Review 2007](#), Annex C, para C2, p187

⁶⁵ *ibid.*, p24

⁶⁶ For more detail on the 2007/08 poverty data, see [ONS first release \(summary of HBAI 2007/08\)](#), 7 May 2009, the full [HBAI 2007/08 report](#), and [DWP press release on the 2007/08 data](#), 7 May 2009

⁶⁷ “Poverty & Inequality in the UK 2009”, *IFS Commentary* 109, May 2009, although this is not statistically significant from zero at the 5% level.

Table 3

Child poverty in the UK: progress towards 2010/11 target numbers (millions)

Year	Income Measure:		
	Relative	Absolute	Material & Low
1998/99 (baseline)	3.4	3.4	2.6
1999/00	3.4	3.1	-
2000/01	3.1	2.5	-
2001/02	3.0	2.0	-
2002/03	2.9	1.8	-
2003/04	2.9	1.8	-
2004/05	2.7	1.7	2.2
2005/06	2.8	1.6	2.1
2006/07	2.9	1.7	2.0
2007/08	2.9	1.7	2.2
2010/11 target	1.7		
<i>change since 1998/99</i>	<i>-0.6</i>	<i>-1.7</i>	<i>-0.4</i>
<i>remaining (estimate) (a)</i>	<i>1.2</i>		

Notes: (a) figures based on data pre-rounded to nearest 100,000
 Sources: DWP, HBAI 2007/08: First Release, 7 May 2009, tables 3.2 & 3.3

Chart 4 shows progress on the three indicators so far and, for relative income poverty only, the 2010/11 target:

Chart 4

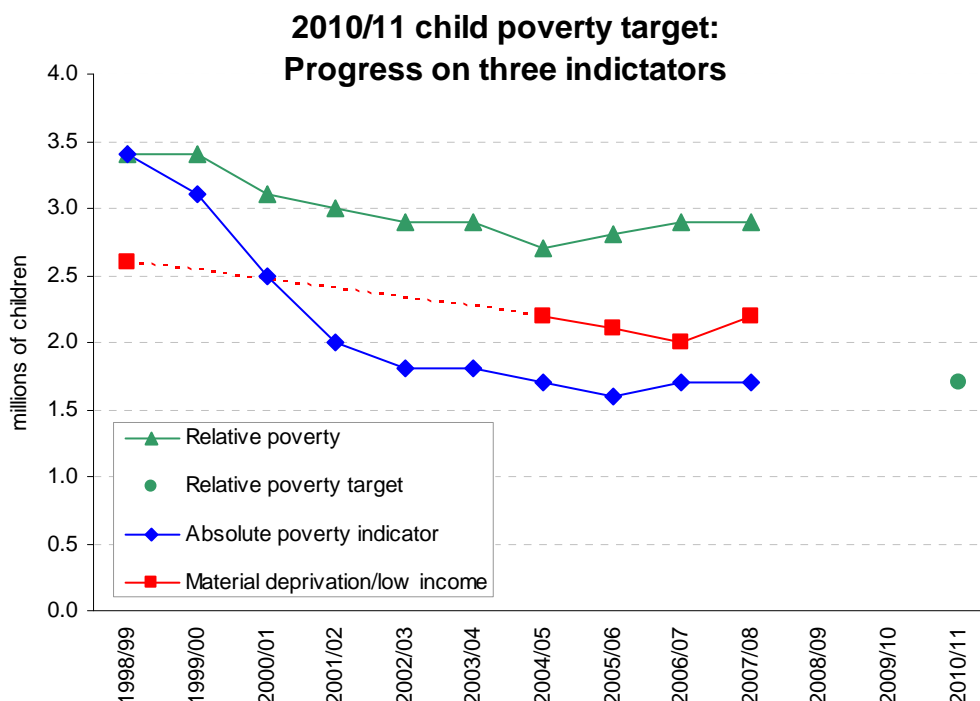
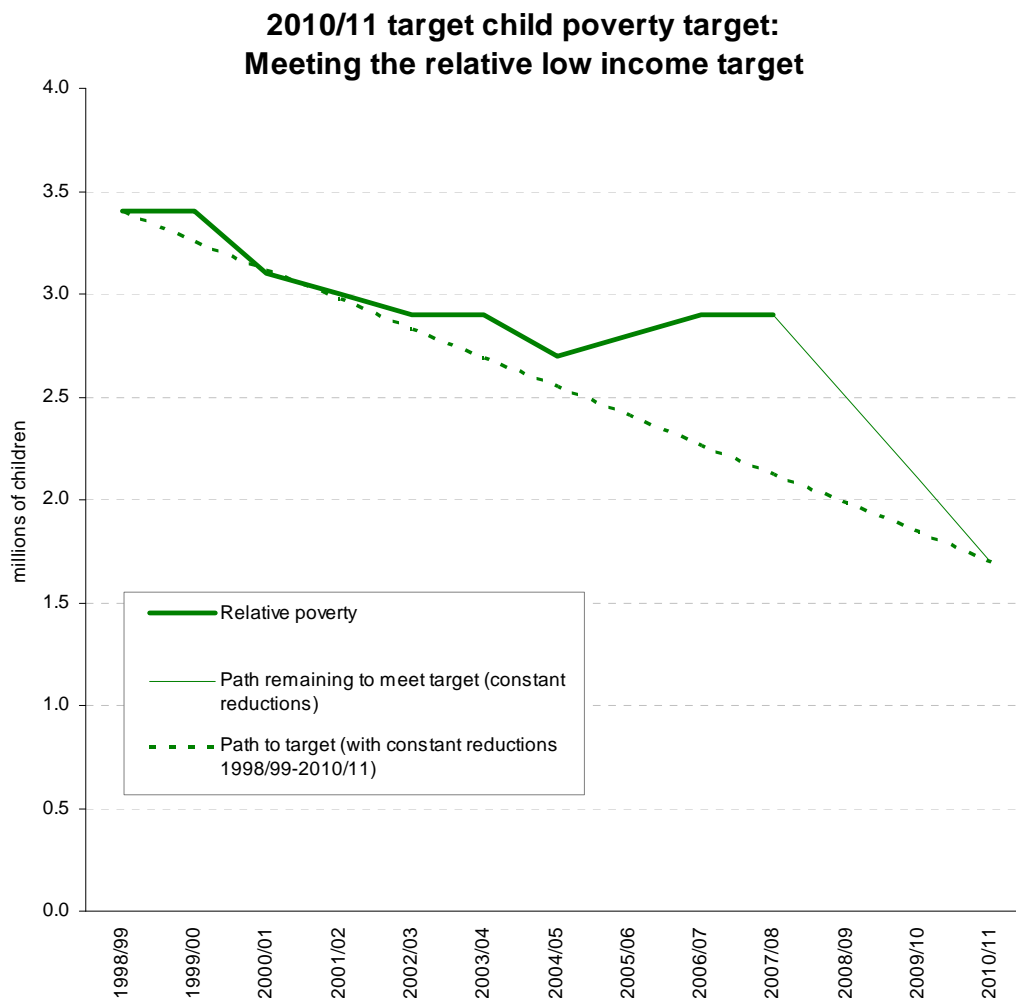


Chart 5 focuses on the relative income poverty target measure. The thick unbroken line shows progress so far, while the dotted line shows the path that would need to have been taken to reduce poverty by the same amount in each year to meet the 2010/11 target. The thinner unbroken line shows the path that child poverty would need to follow to meet the 2010/11 target (assuming equal progress in each of the remaining three financial years).

Chart 5



2.6 Commentary and prospects

The 2007/08 figures prompted the *Financial Times* to note that the Government “is far from meeting” its 2010/11 target.⁶⁸ *The Guardian* reported that “ministers admitted that it would now be “very difficult” for Labour to meet” the target.⁶⁹ The *Mirror* claimed that the Government’s poverty goal had been “scrapped”,⁷⁰ while a comment piece in *The Independent* noted:⁷¹

The Government's ambitions to halve child poverty by 2010 and to eradicate it by 2020 looked achievable during the boom. But with the economic downturn the chances of achieving the 2010 goal are nil. And with the mess the public finances are in, the 2020 target also recedes into the realms of "aspiration".

In February 2008, a DWP report stated that poverty targets were “unlikely to be fully met”.⁷²

When the 2007/08 data were released in May 2009, the then Minister for Children, Beverley Hughes, noted that the Government expected measures in the 2007 Budget and since to

⁶⁸ “Scant growth in average household incomes”, *Financial Times*, 7 May 2009

⁶⁹ “Child poverty reduction halted by recession”, *The Guardian*, 7 May 2009

⁷⁰ “Poverty goal is scrapped”, *Mirror*, 8 May 2009

⁷¹ Sean O’Grady, “This exposes labour’s poverty of ambition”, *The Independent*, 8 May 2009

⁷² DWP, *An analysis of the productivity of the DWP 2002/03 to 2007/08*, February 2008, para 60, p16

reduce child poverty by 500,000, and that these effects would not be reflected in the statistics until 2008/09 and 2009/10.⁷³ In evidence to the Work and Pensions Committee on child poverty in June 2009, the Financial Secretary to the Treasury, Stephen Timms MP, said:⁷⁴

I think it is the case, given current economic circumstances, that it will now be hard to meet the 2010 target on time on the basis of the relative poverty measure. It is perhaps worth mentioning that the latest date for 2007-08 does show the level of absolute child poverty has now been halved since 1999, but on the relative poverty measure I think it is going to be hard to hit the target on time.

NGOs were particularly critical of the 2007/08 data, given the relative lack of additional expenditure in the 2009 Budget they had campaigned for. The Budget announced an additional £20 increase in the per child element of the Child Tax Credit from 2010: the final year for judging the 2010/11 target.

Hilary Fisher, Director of the End Child Poverty Coalition, noted that the “shamefully small increase” worked out “at 38 pence a week, which will make absolutely no difference”.⁷⁵ Martin Narey, Chief Executive of Barnardo’s and Chair of the End Child Poverty Coalition, said that the Government had chosen “to bury for all time the target to halve child poverty.”⁷⁶ Colette Marshall, Director of Save the Children UK, said the Government had “clearly broken its promise” on child poverty.⁷⁷ *The Independent* reported observations by Carey Oppenheim, from the Institute for Public Policy Research that the 2007/08 data “pre-date the recession so the number of children in poverty today is likely to be higher”.⁷⁸

In its report on the 2009 Budget the Treasury Select Committee called on the Government to explain how it planned to meet the 2010/11 target amid current economic difficulties. Having noted that Budget statement had not mentioned progress on reducing child poverty “for the first time in years”,⁷⁹ the Chairman of the Committee, John McFall, said:⁸⁰

We acknowledge the pressure on Government finances but the lack of any substantial measure to combat child poverty in both the Pre-Budget Report last year and this Budget is alarming. On current indicators the Government will fail to meet its 2010–11 target to halve child poverty by a significant margin.

The Committee’s report said:⁸¹

We are dismayed that, despite our repeated warnings, the Treasury has failed to take sufficient positive action to ensure that the child poverty targets are met. We recommend that the Government use the Pre-Budget Report 2009 to indicate the

⁷³ [DCSF press release](#), 7 May 2009

⁷⁴ House of Commons, Minutes of Evidence Taken Before Work & Pensions Committee, Child Poverty, [Uncorrected Transcript of Oral Evidence](#) (to be published as HC 702-i), 17 June 2009, Q3 (Please note that this transcript is not yet an approved formal record of these proceedings).

⁷⁵ “Children Campaigners attack ‘disgraceful’ pounds 20 increase in tax credit”, *The Guardian*, 23 April 2009, p5

⁷⁶ Letter from Martin Narey, “A diversion from moral failure”, *The Guardian*, 24 April 2009, p39. See also <http://www.endchildpoverty.org.uk/news/news/budget-fails-children-in-poverty/23/165>

⁷⁷ “Government accused of breaking promises over child poverty”, *Press Association National Newswire*, 7 May 2009

⁷⁸ “Labour abandons vow to end child poverty”, *The Independent*, 8 May 2009

⁷⁹ “[John McFall condemns Darling’s failure to address child poverty in budget](#)”, *Guardian Unlimited*, 26 April 2009, and John McFall, “[False debate over the national debt is distracting us from human face of crisis](#)”, *Guardian Unlimited*, 26 April 2009

⁸⁰ “[Treasury Committee calls for commitment on Child Poverty target](#)”, *Treasury Committee press release*, 6 May 2009

⁸¹ Treasury Committee, “[Budget 2009](#)” (8th Report of 2008–09), p6 (and paras 69-74)

numbers of children in both relative and absolute poverty and the measures it will take in order for its target to halve child poverty by 2010–11 to be met.

On the recession the Committee also noted that:⁸²

One perverse consequence of the use of a relative measure of child poverty is that a period of recession might reduce the numbers of children deemed to be in poverty even though an increasing number is suffering actual hardship.

An April 2009 Oxfam report looking at poverty more broadly than children alone noted that the lives of those in poverty were “set to worsen because of the recession.”⁸³ The report also noted that:⁸⁴

Hundreds of billions of pounds have been made available to banks in an effort to avert financial meltdown – throwing into sharp relief, for example, the £4.2 billion needed to meet the interim child-poverty target.

Based on the 2007/08 data, the Institute for Fiscal Studies (IFS) confirmed their estimate of 2.3 million children in relative poverty by 2010/11, originally made in February 2009.⁸⁵ This would be 600,000 above the target, although child poverty would have been reduced by one-third since 1998/99, to reach its lowest rate since 1985.⁸⁶

The IFS estimates that £4.2 billion a year additional expenditure (in 2009/10 prices) would be required to reach the 2010/11 target. This is based on a 30% increase, around £650 a year, in the per child element of Child Tax Credit beyond that already planned. Of the £4.2 billion, only £140 million had been committed in the 2009 Budget. The IFS said this was “nowhere near enough” to meet the target,⁸⁷ and that it now seemed “highly likely” that the target would be missed “unless the government can find approximately £4 billion between now and the 2009 Pre-Budget Report”, adding:⁸⁸

...child poverty needs to fall by an average of 400,000 a year for the next three years, having fallen by an average 60,000 a year for the past nine years.

The IFS highlighted rising poverty among children in couple families, and in particular workless households and those with one working parent.⁸⁹ It also noted that:⁹⁰

These statistics [i.e. for 1007/08] pre-date the start of the current recession and thus paint a picture of living standards across the UK before we entered recession in the second half of 2008.

⁸² *ibid.*, para 74

⁸³ “Call for action to help UK’s poor”, *BBC News*, 8 April 2009, and Oxfam [Close to Home - UK Poverty and the Economic Downturn](#) (and report), April 2009

⁸⁴ *ibid.*, p10

⁸⁵ “Micro-simulating child poverty in 2010 and 2020”, *IFS Commentary* 108, February 2009, and Muriel, A.

“Living standards & inequality”, Presentation at IFS Seminar on Poverty & Inequality in the UK 2009, 8 May

⁸⁶ Brewer, M. et al, “Micro-simulating child poverty in 2010 and 2020: an update”, Presentation at IFS Seminar, February 2009. For more information, see IFS [press release](#) and [full report](#).

⁸⁷ Stuart Adam, “Direct taxes and benefits”, Presentation at IFS post-Budget meeting, 23 Apr 2009, slide 17

⁸⁸ “Poverty & Inequality in the UK 2009”, *IFS Commentary* 109, May 2009, p2 (and p46), and pp43-44

⁸⁹ *ibid.*, p42

⁹⁰ IFS press release, 7 May 2009: <http://www.ifs.org.uk/pr/hbai09.pdf>

3 Child poverty: towards 2020

3.1 Development of the Government's strategy

Since the announcement of the child poverty targets, the Government has published a number of studies and reports analysing the nature of child poverty and looking at policy options.

2004 Child Poverty Review

The report of the Government's Child Poverty Review was published alongside the Comprehensive Spending Review in July 2004.⁹¹ The report set out the Government's analysis of the causes and consequences of child poverty, and outlined policy proposals aimed at tackling it. It included both medium-term plans for the 2004 Spending Review period, and an assessment of the longer-term policy direction in order to meet its child poverty objectives.

The Review noted that while the Government had, since 1997, increased direct financial support for families with children through tax credits, Child Benefit and other benefits, a wider mix of policies would be necessary to meet the long term target:

...child poverty is about more than just income. The Government's strategy for tackling child poverty also involves ensuring work for those who can and support for those who cannot; supporting parents in their parenting role; and delivering high quality public services.

More needs to be done, particularly in relation to the contribution that mainstream public services make in improving poor children's life chances and thus breaking cycles of deprivation...

The child poverty review's terms of reference were to set out the policies necessary to:

- increase employment opportunities, raising incomes for those who can work;
- increase support for those who cannot work;
- improve the effectiveness of public services that tackle material deprivation, for instance housing and homelessness;
- improve those public services – education, for example – that can contribute most to increasing the future life chances of children in households with low income and ensure public services and the welfare system work well together when families face crisis points in their lives; and
- improve services for children and their families living in deprived areas, including targeted programmes.⁹²

The Review set out a range of policy initiatives under each of the above headings. It also emphasised that in order to tackle child poverty, central government would need to work effectively with other partners, including the devolved administrations, local authorities and the voluntary and community sectors.

⁹¹ HM Treasury, *Child Poverty Review*, July 2004

⁹² *Ibid.*, Executive Summary

In response to the Review, organisations concerned with child poverty welcomed some of the announcements but argued that the Government needed to move faster to make real progress.⁹³

Lisa Harker's report

In June 2006 the Department for Work and Pensions announced that an independent adviser – dubbed a ‘Child Poverty Tsar’ – would be appointed.⁹⁴ Lisa Harker, formerly of the Daycare Trust, would ‘work with the DWP reviewing the department’s policies and to help progress towards the ambitious target of eradicating child poverty by 2020’. An ‘advisory panel of academics and stakeholders’ was also appointed.

The report by Lisa Harker, *Delivering on Child Poverty: what would it take?*, was published by the DWP on 1 November 2006.⁹⁵ It noted that while meeting the child poverty target for 2010 would be a difficult task, meeting the 2020 target would be an even greater challenge:

Meeting the 2020 target – or at least reducing child poverty to a level that is among the best in Europe – will entail even greater effort to address the key-drivers of child poverty: to break the link between disadvantage in early-childhood and poor life chances; to transform the labour market skills of today’s and tomorrow’s parents; to tackle inherent discrimination and disadvantage in society; and to achieve a fairer distribution of income, wealth and opportunities than current generations have witnessed.⁹⁶

The report noted that the Government’s welfare to work policies had played a key role in reducing child poverty, Jobcentre Plus programmes needed to be more focused on the specific needs of parents:

Jobcentre Plus is the agency charged by the Government to reduce worklessness and this will remain its core focus. But to meet the child poverty targets, its Welfare to Work programmes need to be more attuned to the particular needs of parents. Beyond the New Deal for Lone Parents, parents participating in Welfare to Work programmes are not automatically identified as parents and their family commitments not taken into account. In future, Welfare to Work support needs to take account of the increasing involvement of fathers in children’s lives, the converging aspirations of men and women in the labour market and the juggling of work and family commitments which many parents negotiate daily.

This would represent the next step in the personalisation of Welfare to Work support, moving beyond categorising jobseekers according to their benefit entitlement (which channels individuals into separate programmes according to the benefits they are claiming) towards viewing jobseekers in the wider context of their family and building a flexible package of support to meet their particular needs. It would require both more consistency in the support offered to all parents, regardless of the Welfare to Work programme they participate in, and greater flexibility in the wider support available to jobseekers. Defining a ‘core offer’ of support for all parents – a New Deal for Parents – would be one way to start to deliver such an aspiration.

The nature of the support available for jobseekers also needs to change. Welfare to Work programmes have rightly adopted a ‘work first’ approach, given the strong

⁹³ See for example ‘Time for Government to shift up a gear’, *CPAG Campaigns Newsletter*, No. 34, August 2004; End Child Poverty press notice, *End Child Poverty’s response to the Comprehensive Spending Review*, 12 July 2004

⁹⁴ DWP press release, *Murphy welcomes new focus on tackling child poverty*, 26 June 2006

⁹⁵ *Delivering on Child Poverty: what would it take?*

⁹⁶ *Ibid.*, p61

evidence that gaining a job offers individuals better long-term prospects than simply acquiring training. But a work first approach is not sufficient to end child poverty, since nearly half of children in poverty now live in a family where someone is already in employment. To thrive in today's rapidly changing labour market, parents need guidance, support and skills to progress in work. A system which encourages parents to take any job rather than one that offers them good long term prospects, or leads to parents 'cycling' between having a job and being out of work, is neither efficient nor effective in tackling child poverty.

What's more, many children in poverty live with parents who have no contact with Welfare to Work programmes – either because they are not participating in programmes or because they are in low-paid work. Helping single earners to progress in work, or supporting non-working partners of single earners (potential second earners) to move into work, will play a crucial part in the next stage of tackling child poverty.

This implies some changes to the way that Jobcentre Plus works – a clearer 'family' focus, more flexible packages of support and a wider 'customer' reach. This should not distract from the priorities already facing Jobcentre Plus but could contribute, for example, towards reaching an 80 per cent employment rate and supporting more Incapacity Benefit claimants into work. Such changes are also very much in keeping with other proposals to increase the level of local discretion, flexibility and degree of personalisation of Welfare to Work programmes. But the changes outlined in this report both deepen and widen the level of support that would be available and it may not be possible, or desirable, for Jobcentre Plus to fulfil all of these functions. Other agencies – including those in the private and voluntary sector – will have a role to play. But whatever the contribution of Jobcentre Plus, it is hard to escape the conclusion that change will be necessary if parental employment rates are to increase much beyond existing levels.

Such changes will not be sufficient on their own to enable the Government to reach its child poverty targets. The Government will need to provide adequate financial support for families as well as help to support parents into work. And the major drivers of poverty – such as high levels of wage and wealth inequality – remain considerable impediments towards reaching the 2020 child poverty target, suggesting that far greater changes to the distribution of wealth, earnings and opportunities in society will be necessary before child poverty is finally eradicated. But establishing a modern employment service, which is better attuned to the needs of parents and the demands of the labour market, would enable more parents to move into jobs that fit with their family commitments and help them to better progress in work – offering families the best chance of an effective and sustainable route out of poverty.⁹⁷

Harker acknowledged however that 'Even with rises in parental employment, the 2010 and 2020 targets will not be met without further improvements to financial support for families with children'.⁹⁸ Accordingly, her report recommended that the DWP should review its benefit uprating policy and the potential impact on child poverty up to 2020.⁹⁹

The DWP's response to Lisa Harker's report, *Working for Children*, was published on 27 March 2007.¹⁰⁰ The report dealt only with measures to be taken by the Department to tackle child poverty, and focused on employment and welfare to work. The measures it announced included:

⁹⁷ *ibid.* pp7-9

⁹⁸ *ibid.* p53

⁹⁹ *ibid.* p54

¹⁰⁰ Cm 7061

- Piloting a ‘New Deal for Families’ approach so more families get access to support that is often only available for lone parents. To do this we will extend support available in the New Deal for Lone Parents Plus pilot areas to all families with children in those areas.
- Extending the New Deal for Lone Parents Plus scheme to help more lone parents benefit from this service and signalling initial support, ahead of a period of consultation, for recommendations from David Freud to increase obligations on lone parents with older children to look for work.
- Providing more support to families, particularly in London where employment rates lag, by including widening and improving the in-work credit scheme which provides additional financial support for lone parents as they make the transition to work.
- Changing Jobcentre Plus systems so parents are properly identified in the benefit system for the first time and recording the childcare needs and preferences of all parents - not just lone parents as at present.
- Providing advice and support for the partners of parents claiming Jobseekers Allowance, with the introduction of mandatory six-monthly work-focused interviews for this group.¹⁰¹

Working for children was published alongside the *Households Below Average Income* figures for 2005/06, which showed an increase in the number of children in relative income poverty between 2004/05 and 2005/06. Responding to the publication of *Working for children* and the child poverty figures, the CPAG’s Chief Executive, Kate Green, said that while tax credits and employment had helped, reducing child poverty would require “much more investment and a broader strategy”:

“Britain has one of the highest employment rates in Europe, yet one of the worst child poverty rates. Access to better jobs can help reduce child poverty, but today’s figures for children in working families suggest that simply resorting to getting more parents into work is not good enough if ministers are serious about ending child poverty.

“More conditionality and sanctions may push more children into poverty and without better quality jobs many families will just become trapped in in-work poverty.

“The Government’s strategy must now open up new fronts to attack poverty. It’s time to address the structural causes, including Britain’s dependence on poverty-pay jobs and the high levels of inequality in Britain compared to European countries with low child poverty rates.

“More investment is vital, particularly for those unable to work. Benefits for both disabled parents and disabled children are inadequate. Child Benefit is still £6 less per week for younger children in a family compared to the oldest child. Paying it equally would lift a further 250,000 children out of poverty, helping all families types, particularly larger families.¹⁰²

Establishment of the Child Poverty Unit

On 29 October 2007 the DWP and the Department for Children, Schools and Families (DCSF) announced the creation of the ‘Child Poverty Unit’, bringing together experts from the

¹⁰¹ DWP press release, *New measures to lift thousands more children out of poverty announced*, 27 March 2007

¹⁰² CPAG press release, *Complacent strategy risks not ‘working for children’ as child poverty rises*, 27 March 2007

two departments, with the remit of co-ordinating and developing policy with HM Treasury and across Whitehall to support ongoing work to end child poverty.¹⁰³ The role of the Unit, which is located within DCSF, is to:

- provide an integrated approach across Government to tackling child poverty;
- build on the Child Poverty Review, by taking stock and taking forward the strategic direction to eradicate child poverty by 2020;
- engage all our stakeholders, learning from their expertise;
- engage those in local service delivery to take ownership to support our commitments; and
- undertake research and analysis to support the development of successful policies.¹⁰⁴

The establishment of the Child Poverty Unit was welcomed by pressure groups but there were concerns about lack of Treasury involvement in the new body.¹⁰⁵ These concerns were later echoed by the Work and Pensions Committee in its report on child poverty (see below), and in June 2008 the Government announced that, following Ministerial discussions, it had been decided that Treasury officials would join the Child Poverty Unit. This would be initially on a virtual basis.¹⁰⁶

In November 2008 the DWP published a Working Paper¹⁰⁷ which summarised contributions and discussions at a conference on 24 June 2008 organised by the Child Poverty Unit and the Institute for Public Policy Research (IPPR). The aim of the conference was to consider a 'vision' for 2020, what a society without child poverty might look like, and how to achieve it. The report includes 'think pieces' produced by a number of policy experts, and the main findings from the conference discussion groups.

Ending child poverty: everybody's business

The Treasury published *Ending child poverty: everybody's business*¹⁰⁸ alongside Budget 2008. The paper set out the Government's analysis of child poverty and considered:

- the causes and consequences of child poverty;
- the costs associated with childhood experiences of poverty for both individuals and society;
- the impact of Government action so far; and
- policy direction for the future.

The paper set out the Government's child poverty strategy so far in terms of four 'broad themes':

- **Increasing employment and raising incomes: helping people who can work to move into employment and progress in work.** There have been

¹⁰³ DWP/DCSF press release, [New team to tackle UK child poverty](#), 29 October 2007

¹⁰⁴ HC 42-II 2007-08, Further memorandum from DWP regarding the Child Poverty Unit

¹⁰⁵ See for example CPAG press release, [Child Poverty Unit needs investment to succeed](#), 29 October 2007

¹⁰⁶ HC 580 2007-08, para 14

¹⁰⁷ [Ending child poverty: 'Thinking 2020'](#), DWP Working Paper 56

¹⁰⁸ [Ending child poverty: everybody's business](#), March 2008

increases in support and services to help parents overcome the constraints that may make work difficult. In particular, the Government has made a substantial improvement in the quality, availability and affordability of childcare.

- **Financial and material support: providing additional resources to make sure that work pays and to help families who cannot work.** The tax and benefit system has been substantially reformed to provide help for all, and extra help for those who need it most, while still maintaining incentives to work. These reforms have been key to alleviating child poverty: had the Government done nothing other than simply uprate the 1997 tax and benefit system child poverty might be 1.7 million children higher than today.
- **Ensuring that communities are safe, sustainable places where families can thrive.** Over the past decade the New Deal for Communities (NDC) and the Neighbourhood Renewal Fund (NRF) have tackled the problems faced by some of the most deprived communities.
- **Improving poor children's life chances: improving opportunities and outcomes for children from low-income families.** The Government is improving poor children's life chances: tackling the effects of poverty now, and preventing it occurring in the future. The Every Child Matters reforms are driving system-wide integration across children's services and improving opportunities and outcomes for children from low-income families. Improvements in early education and in school standards are closing the gaps in attainment between poor children and their peers. The Government set out in the *Children's Plan* a far-reaching agenda with new ambitions for children's services to improve the outcomes for children and young people.

Further information on Every Child Matters and the *Children's Plan* can be found at the DCSF website.¹⁰⁹

In *Ending child poverty: everybody's business* the Government recognised however that there was a need for a 'renewed approach that considers new options and explores new areas'.¹¹⁰ It went on to outline proposals for developing a new strategy to meet the 2020 child poverty target including:

- Further research and pilots to test 'innovative approaches' to help tackle poverty;
- A new 'contract out of poverty' for parents; and
- A series of 'aspirations' for the Government to commit itself to

The following extract gives details:

5.23 The Government needs to begin now, working with stakeholders, to develop a strategy for the next decade to reach the 2020 goal. In preparation for the strategy, the Government will undertake further research and establish new pilots and approaches that will inform and shape future policy. **The Government is therefore investing an additional £10 million in 2008-09, £35 million in 2009-10 and £80 million in 2010-11 across the UK to help prepare for the next decade. It will also look more widely at other emerging evidence and research. As part of this**

¹⁰⁹ See *The Children's Plan* and *The Children's Plan: One Year On*

¹¹⁰ Para 5.22

process, the Government intends to host a series of seminars and debates on the route to 2020.

5.24 The Government wants to demonstrate its commitment to supporting parents in their role through a contract. A contract in which the Government undertakes to provide the support to families, to close the gaps in opportunities and achievements for poor children, and to provide financial security for those who temporarily or permanently cannot work. The Government will provide all families with a clear route out of poverty. On the other side of this contract, the Government looks to families to make a commitment to improve their situations where they can and to take advantage of the opportunities on offer. Others also have a role to play: local authorities have a critical role in helping to eradicate child poverty by leading local action, engaging with and harnessing the resources of local communities to increase employment opportunities for all, preventing those at risk from falling into poverty and improving the life chances of children.

5.25 The Government is committed to building on the solid foundations set out in the *Child Poverty Review* and as part of the preparation for the strategy to 2020, is setting itself the following aspirations:

- **further increases in parental employment**, work will remain the surest and most sustainable route out of poverty and many non-working parents want to and can work;
- **working families should see a clear path out of poverty**: with parents supported into work, improving their skills, supported through the tax credit system, and moving into full time work where appropriate, lifted out of poverty;
- financial support needs to respond to families situations in and out of work. **For those experiencing short periods out of work**, they must be provided with a stable income to help them back into work, **while those with greater need, including those who cannot work**, are given the additional practical and financial support they need, lifting them out of poverty;
- **families will live in safe, cohesive and prosperous communities** where children can thrive, with safe places to play, opportunities to develop, and high-quality public services; and
- **every child, whatever their background, can achieve the five every child matters outcomes**: to be healthy, to stay safe, to enjoy and achieve, to make a positive contribution, and to achieve economic well-being – giving every child the best start in life.¹¹¹

Specific measures announced in *Ending child poverty: everybody's business* included:

- Piloting work-focused services for parents in 30 children's centres across ten local authorities
- Piloting new ways of tackling worklessness in London
- A 'fundamental review of the working age Housing Benefits system to look at its effectiveness in promoting work, efficiency and fairness, and to ensure that it represents value for money for the taxpayer'

¹¹¹ Original emphasis

- Piloting new 'child development grants of £200 in 10 Local Authority areas, payable where parents take up their childcare places and have contact with their local Children's Centre'

Further information on some of the child poverty pilots can be found at the DCSF website.¹¹²

3.2 The devolved administrations

Many of the policy areas covered by the UK child poverty strategy fall within the remit of the devolved administrations in Scotland, Wales and Northern Ireland.

Scotland

The Scottish Government's Economic Strategy has targets in relation to 'solidarity' and 'social cohesion' that relate to child poverty. In February 2008 the Scottish Government published *Taking Forward the Government Economic Strategy: A Discussion Paper on Tackling Poverty, Inequality and Deprivation in Scotland*, which set out its plans for the future.¹¹³ An analysis of the responses to the consultation was published in September 2008¹¹⁴, and in November 2008 the Scottish Government published *Achieving Our Potential: A Framework to tackle poverty and income inequality in Scotland*.¹¹⁵ It states:

This Framework has been developed in the context of our overall commitment to equality and tackling discrimination. Inequality and poverty are closely linked. We also remain committed to doing what we can to contribute to the UK target of eradicating child poverty by 2020. Our approach is based on the view that child poverty is best tackled as part of a broader effort to reduce poverty and inequality in Scotland, and that our income inequality target supports our focus on improving outcomes for our citizens.¹¹⁶

The Scottish Government's income inequality target is to 'increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017'.¹¹⁷

Further background information on the Scottish Government's approach to child poverty can be found in a January 2008 briefing paper prepared by the Scottish Parliament Information Centre¹¹⁸, and in a more recent briefing published by the Joseph Rowntree Foundation.¹¹⁹

Wales

The Welsh Assembly Government's child poverty strategy, *A Fair Future for our Children*¹²⁰, launched in February 2005, set out how it would play its part in meeting the commitment to halve child poverty by 2010 and eradicate it by 2020. The Welsh Assembly Government website states:

As a result of further developments in the evidence base and in policy focus in recent years the Minister for Social Justice and Local Government has indicated that work

¹¹² [Child Poverty Pilots - Expressions of Interest](#), July 2008

¹¹³ [Taking Forward the Government Economic Strategy: A Discussion Paper on Tackling Poverty, Inequality and Deprivation in Scotland](#)

¹¹⁴ [Analysis of Consultation Responses to Taking forward the Government Economic Strategy: a Discussion Paper on Tackling Poverty, Inequality and Deprivation in Scotland](#)

¹¹⁵ [Achieving Our Potential: A Framework to tackle poverty and income inequality in Scotland](#)

¹¹⁶ *Ibid.* p4

¹¹⁷ *Ibid.* p3

¹¹⁸ Simon Wakefield, [Child Poverty](#), SPICe Briefing 08/05

¹¹⁹ Stephen Sinclair and John McKendrick, [Child poverty in Scotland: taking the next steps](#), JRF Viewpoint, May 2009

¹²⁰ [A Fair Future for our Children](#)

should start on a **new child poverty strategy in 2009**. Preparatory work has begun with work ongoing to map the evaluation results of existing Assembly Government child poverty programmes. This will provide the foundation for the new strategy.

We have a wide range of policies and programmes and new initiatives operating across Wales aimed at tackling child poverty. These include:

- employment support programmes;
- childcare initiatives;
- education and health programmes;
- Communities First interventions; and
- income maximisation initiatives.

Our policy response to child poverty includes a mix of universal and targeted provision, all of which are designed to complement and add value to UK Government interventions through the tax and benefits system and welfare to work programmes. These interventions will be particularly important during the current economic downturn and as Wales recovers from its effects.¹²¹

On 2 March 2009 the draft *Children and Families (Wales) Measure* was laid before the National Assembly for Wales by the Welsh Assembly Government. The Measure, which is expected to become law early in 2010, among other things, places a duty on Welsh Ministers to prepare and publish a new Child Poverty Strategy for Wales, and publish an assessment report every three years. It also places a duty on specific Welsh public bodies to prepare and publish a strategy to assist in the goal of eradicating child poverty by 2020. Further information can be found at the Welsh Assembly Government and National Assembly for Wales websites.¹²²

Northern Ireland

The *Lifetime Opportunities* strategy was launched by the Secretary of State for Northern Ireland in November 2006 and has two explicit commitments: to end child poverty by 2020 and work towards eliminating poverty and social exclusion in Northern Ireland by the same year.¹²³ After consultation with the Northern Ireland Assembly's Committee for the Office of the First Minister and Deputy First Minister, the Northern Ireland Executive agreed in November 2008 to formally adopt the 'broad architecture' of *Lifetime Opportunities*, along with the key aims outlined in its *Programme for Government*, as the basis for its strategy to tackle poverty and promote social inclusion. Section 16 of the *Northern Ireland (St Andrews Agreement) Act 2006* requires the Executive to adopt a strategy setting out how it proposes to tackle poverty, social exclusion and patterns of deprivation based on objective need.

The Executive's *Programme for Government* includes commitments to work towards the elimination of child poverty in Northern Ireland by 2020; to work towards reducing child poverty by 50 per cent by 2010; and to work towards the elimination of 'severe child poverty' by 2012.¹²⁴ The last target is unique to Northern Ireland.

¹²¹ Welsh Assembly Government website [Child Poverty pages](#)

¹²² Welsh Assembly Government website, [Children and Families \(Wales\) Measure](#); National Assembly for Wales website, [Proposed Children and Families \(Wales\) Measure](#)

¹²³ [Lifetime Opportunities: Government's anti-poverty and social inclusion strategy for Northern Ireland](#)

¹²⁴ OFMDFM, *Programme for Government Document*

In June 2008 the Northern Ireland Assembly Committee for the Office of the First Minister and Deputy First Minister published a major report on child poverty.¹²⁵ The Executive's response was published in January 2009.¹²⁶

Work on the development of the Northern Ireland strategy to tackle poverty and social exclusion continues.

3.3 Work and Pensions Committee report

The Work and Pensions Committee's report, *The best start in life? Alleviating deprivation, improving social mobility, and eradicating child poverty*, was published on 3 March 2008.¹²⁷ The report addressed a number of issues including childcare, groups most at risk of poverty, worklessness and movements in and out of work, in-work poverty, and benefit uprating and take-up.

The Committee concluded:

We welcome the Government's ambition in setting itself the challenging target of eradicating child poverty by 2020 and its commitment to improving the life chances of poor children. The Government is right to focus on worklessness in its strategy to combat child poverty; despite having amongst the highest employment rate, the UK has the highest proportion of children living in workless families in the European Union.¹²⁸

However, it identified a number of areas of concern:

Good quality childcare can be instrumental in giving children the best start in life and it is essential in encouraging parents, particularly lone parents, back to work. Childcare must be affordable, and parents must be confident about its quality. We hope that implementation of the Childcare Act 2006, which applies to England and Wales, will ensure that the current mismatch between supply and what is needed by parents is addressed. Sure Start Local Programmes have had a beneficial impact on children and parents and have improved many families' access to health, education and financial advice.

We found there are groups of children who have a much higher risk of growing up in poverty, for example if they or a parent are disabled. We were particularly concerned by evidence that 1 in 5 families with a disabled child have had to cut back on food. Poverty rates for Pakistani and Bangladeshi children are twice those amongst white children, whilst black children also experience a higher rate of poverty than their white peers. London experiences particularly high rates of child poverty, and difficulties faced by parents in finding part-time work combined with the higher costs of London childcare are an obstacle to London lone parents returning to work.

We agree that getting parents into sustainable work should be the focus of the strategy to lift them and their children out of poverty. We accept the case for greater conditionality for lone parents, but we are concerned that the Jobseekers' Allowance regime is not sufficiently flexible to reflect the complexity of lone parents' lives, particularly parents of disabled children, and that the sanctions regime as proposed is not in the best interest of children. The "churn" of parents moving in and out of work

¹²⁵ [Final Report on the Committee's Inquiry into Child Poverty in Northern Ireland](#), Report 08/07/08R, Volumes 1 and 2

¹²⁶ Report [04/08/09R](#)

¹²⁷ HC 42 2007-08

¹²⁸ *Ibid.* para 387

can have a particularly damaging effect on children's wellbeing and their belief in the value of work. We welcome in-work support for lone parents, and the Government's decision to consult on extending the right to request flexible working. However we believe Jobcentre Plus could do more to negotiate flexible working on behalf of clients.

While work is the main route out of poverty, having a parent in work is not always a guarantee that the family have been lifted above the poverty threshold, as 50% of poor children live with a parent who is in work. Ensuring that people are better off in work than out of work will improve work incentives and help the Government to meet its 80% employment target and contribute to lifting families out of poverty. We welcome the new "better off in work" credit, but we are concerned that it is insufficient to cover the passported benefits that parents lose or the extra costs that they incur when they take up work. It is a deception to tell people that they are better off in work if this is not the case and some jobs will be unsustainable when this time-limited credit expires.

Even if the Government were to achieve its target of an 80% employment rate, many children would still live in workless households. As we get closer to 2020 and more people move into work, there will remain a core of parents who will be the hardest to help. If the Government is committed to the eradication of child poverty by 2020, we believe it needs a long-term strategy on benefit income for those who are unable to work. If benefits are uprated in line with inflation, the gap between the incomes of those in work and those on benefits will only get wider, as benefits will not keep pace with earnings. As poverty is measured as a percentage of median earnings, the implications for the 2020 target, in particular, are serious.¹²⁹

The Government's response was published on 12 June 2008.¹³⁰ It argued that the Jobseeker's Allowance regime was sufficiently flexible to ensure sanctions would 'only apply where absolutely necessary' to lone parents, and gave assurances that lone parents would not be penalised for leaving a job or failing to take up a job 'because appropriate, affordable childcare is not available'.¹³¹

In response to the Committee's concerns about the impact of benefit sanctions on lone parents and their children, the Government said:

Ready for work: full employment in our generation said that the Government did not want to see lone parents penalised when they are on JSA and it would need to safeguard the welfare of children to ensure that hardship does not occur as the long term aim is to reduce child poverty. But there is a balance between providing safeguards to ensure lone parents facing difficult times are not penalised, and making sure that people on benefits who can work cannot opt out. To safeguard the welfare of children the Government will review the hardship regime which applies to parents in receipt of benefits to ensure it is appropriate and that it supports the Government's objectives to reduce child poverty. That review is currently being undertaken.¹³²

As regards future benefit uprating policy, the Government response states:

Higher uprating across the board would be extremely expensive and as Lisa Harker's report made clear it would not be a cost-effective way of tackling child poverty. Selective increases may be a way forward but affordability and effect on work incentives will be crucial considerations. Increasing benefits for all adults is not necessarily a good way of targeting help on parents.

¹²⁹ *Ibid.* pp5-6

¹³⁰ HC 580 2007-08

¹³¹ *Ibid.* paras 80-81

¹³² *Ibid.* para 84

The Government is therefore not convinced that it would be appropriate to change the basis on which working-age benefits are uprated. However, the Government has noted the findings contained within the Joseph Rowntree Foundation report, and welcomes the contribution it makes to understanding the interactions between the tax and benefits system and poverty.¹³³

3.4 Comment and analysis

A number of independent reports have been published which have looked at different aspects of child poverty and at policies necessary to achieve the Government's child poverty targets.

Joseph Rowntree Foundation research programme

In July 2006 the Joseph Rowntree Foundation (JRF) published a report by Donald Hirsch, *What will it take to end child poverty? Firing on all cylinders*, giving the findings of a research project involving a team of experts from universities and research institutes.¹³⁴ The project also included modelling work coordinated by the Institute for Fiscal Studies (IFS), which estimated the future effect of existing and new policies needed to reach the Government's child poverty targets. In 2008 JRF also published seven separate reports on how to take forward different aspects of a child poverty strategy, and in November 2008 a further briefing paper by Donald Hirsch, which drew upon the findings of the reports, suggested what further action might be needed to ensure that the 2020 target was met.¹³⁵ As part of the same JRF research programme, in February 2009 the IFS published updated results of policy simulations of different tax and benefit policies which could be implemented between now and 2020 with the aim of reducing the proportion of children living in households with net incomes below 60 per cent of the contemporary median to below 5 per cent.¹³⁶

The IFS¹³⁷ modelled the effects of three different policy 'packages' up to 2020, all of which assume the Government also adopts the lowest cost approach to meeting the 2010 target of halving child poverty (a 30 per cent increase in the per child element of Child Tax Credit, on top of the uprating already planned):

- Continued uprating of the Child Tax Credit child element in line with earnings, with all other benefits and tax credits uprated in line with prices
- Uprating of all benefits and tax credits for parents in line with earnings, and uprating all benefits and tax credits for non-parents in line with prices
- 'Over indexation' plus higher Working Tax Credit for couples with children: as the second bullet point, but with more generous uprating of Income Support for parents and the child element of Working Tax Credit, and introducing a new higher rate of Working Tax Credit for couples with children

The study found that:

Of the tax and benefit packages we looked at, the only policy generous enough to enable child poverty to fall to 5% by 2020 would cost around £37 billion, and this is without accounting for non-reporting of benefit and tax credit income in the survey with which child poverty is officially measured and by assuming that non-take-up of tax credits and benefits halves. This package involves uprating Income Support (IS)

¹³³ *Ibid.* paras 126-127

¹³⁴ [What will it take to end child poverty? Firing on all cylinders](#)

¹³⁵ Donald Hirsch, [What is needed to end child poverty in 2020?](#)

¹³⁶ Mike Brewer *et al*, [Micro-simulating child poverty in 2010 and 2020](#)

¹³⁷ Professor Holly Sutherland of the University of Essex was also involved in the project

payments for parents and the per-child element of the Child Tax Credit by 5.5% per year in real terms between 2010 and 2020; increasing all other tax credits and benefits for parents in line with earnings between 2010 and 2020; raising the Working Tax Credit for couples with children by 60% after it has been earnings-uprated between 2010 and 2020; and uprating all benefits and tax credits for non-parents in line with prices between 2010 and 2020.¹³⁸

However, the authors also acknowledged that the 'over-indexation' package would substantially increase the number of parents facing high marginal effective tax rates, and would mean that the level of government support for families with children would be far higher than for those without. They commented that 'both of these could mean that it is politically and economically unsustainable'.¹³⁹

Subsequent modelling work undertaken by the same researchers looked at the cost of reducing the rate of child poverty (defined as relative low income) to below 10 per cent, again through tax and benefit measures alone.¹⁴⁰ They estimated that a package necessary to meet this target would cost around £19 billion at current prices.¹⁴¹ The measures included:

- A 29 per cent increase in the per child element of Child Tax Credit, to meet the 2010 target
- Increasing benefits and tax credits for parents in line with earnings
- Uprating Income Support and the per child element of Child Tax Credit with earnings plus 0.5 per cent each year
- Increasing Working Tax Credit for couples with children so that is 50 per cent higher than for lone parents
- For non-parents, uprating benefits and tax credits in line with prices.

Again however, there is no suggestion that implementing this particular package would be desirable.

The 2006 JRF report, *What will it take to end child poverty? Firing on all cylinders*, also recognised that while substantial increases in benefits and tax credits would undoubtedly be needed to achieve the 2020 target, they would have to be combined with other measures.¹⁴² The report noted that ending child poverty was only partly about redistributing money to poor households, and that a long-term solution would tackle the root causes of poverty. The Government had made progress in this regard, but there remained 'large unfinished agendas'.¹⁴³ Welfare to work policies were a key priority of the Labour Government, but as time went by those remaining out of work became harder to help, because they faced greater barriers to employment. Welfare to work policies would therefore have to provide much more intensive support to families, addressing problems such as the lack of adequate childcare.

Focusing on employment would not however be enough:

¹³⁸ *Ibid.* p2

¹³⁹ *Ibid.* p38

¹⁴⁰ Details are given in the [Impact Assessment for the Child Poverty Bill](#)

¹⁴¹ There are however some uncertainties surrounding this estimate: see paras 2.19-2.20 of the *Impact Assessment*

¹⁴² For further analysis of uprating policies see Holly Sutherland *et al*, [The impact of benefit and tax uprating on incomes and poverty](#), JRF, April 2008

¹⁴³ p11

In future, it would be unwise to rely too much on movement from welfare to work as a means of reducing poverty. In recent years it has made a contribution, but a diminishing one, accounting for only about a sixth of the reduction in child poverty between 1998-99 and 2004-05. Even if the government meets its targets to raise employment rates, especially among lone parents, this will go only a small way to achieving the targets for reducing child poverty. Moreover, a strategy that relied excessively on getting as many parents as possible into jobs may prioritise this at the expense of family life. Parents want to be able to find their own balance between looking after their children and providing for them economically, and not be told that work must always come first.

One requirement in promoting this choice is that having no worker in the family should not, as at present, make it far more likely than not that a child will face poverty. The introduction of the Child Tax Credit has helped improve the relative incomes of families outside work as well as in it, but there remains a long way to go. Even though present policy guarantees that the part of this credit targeted at lower-income families will rise in line with earnings, current uprating policies overall are not sufficient to keep out-of-work incomes in line with living standards, let alone enable them to rise so that relative poverty falls.

At the same time, the experiences of people in work can be as important as whether or not they can find jobs. Better pay, secure employment, improved work–life balance and in some cases the chance to increase the number of working hours in a household can all help improve families' life chances, and give them more control over their lives. Government can contribute to these improvements, partly by working with employers to improve pay, training and conditions at the lower end of the labour market.

But just as important in the long term is to improve education, which can enhance the life chances of tomorrow's parents. One big unfinished agenda for tackling child poverty over the long term is the improvement in educational outcomes for children from disadvantaged families. Educational outcomes in the UK remain more strongly associated with social background than in most other countries, and changing this is a vital part of ending the intergenerational cycle of child poverty.¹⁴⁴

The November 2008 JRF briefing reiterates that it would be 'hopeless to rely on a single main policy tool' to reduce child poverty by 2020.¹⁴⁵ It argues that further progress on child poverty depends on a 'big shift that raises the level of resources invested and widens the scope of anti-poverty measures':

The strategy requires over two million more children to be taken out of poverty, four times the progress since 1997. No single policy can achieve this. Only if worklessness is reduced and benefits raised and working parents' earnings improved does the strategy stand a chance of success.

Improvement of in-work incomes is particularly needed – there has been little progress on reducing in-work poverty and existing policy tools seem inadequate.

The child poverty strategy will need to help parents into jobs but also consider factors affecting their earnings opportunities, including:

- the adequacy of childcare
- job flexibility for parents

¹⁴⁴ *ibid.* pp11-12

¹⁴⁵ Donald Hirsch, [What is needed to end child poverty in 2020?](#), p4

- the level of parental skills; and
- how these are used by employers to create quality employment.¹⁴⁶

In order to ensure that children of parents who are out of work are not in poverty, it states, benefits would on average have to rise faster than earnings. Such a policy would be 'easier to contemplate' if earnings for parents low-paid jobs were higher, since this would potentially allow work incentives to be maintained.¹⁴⁷ The briefing draws attention to recent research on minimum income standards that suggested that a family with children needs about 70 per cent median income to achieve a standard of living thought to be acceptable by the public.¹⁴⁸ It notes that a single full-time worker in a couple with two children would have to earn over twice the National Minimum Wage to rise above this standard.

The problem of in-work poverty has been highlighted by a number of reports.¹⁴⁹ The JRF briefing notes:

A child in a household with all adults working has an 8 per cent chance of being in poverty, or 29 per cent chance if only one adult is working – exactly the same in 2006 as in 1996. While tax credits are lifting more children out of poverty, this has been offset by a rise in the number who would be in working poverty without the help of tax credits. Whether this is because parents who might previously not have worked are in poorly-paid part-time jobs or because of other factors (including the existence of tax credits) putting downward pressure on wages and earnings, the 1.7 million children in working households below the poverty line call into question the current policy that 'work is the best route out of poverty'. Therefore further solutions need to address earnings levels and not just the role of tax credits in topping up low earnings.¹⁵⁰

The briefing argues that more needs to be done to widen 'opportunities' for parents in the labour market by improving skills and qualifications; improving the quality of childcare and making it more affordable and accessible; and by action on the 'demand' side of the labour market to create more jobs better suited to the needs of parents by, for example, providing incentives for employers to offer flexible working. It also makes the case for changes to in-work tax credits to tackle the problem of steep withdrawal rates as incomes rise, and for more thoroughgoing 'structural change' of the benefits/tax credits system to give parents greater certainty about the level of support they can expect, increase take-up, and provide greater incentives for those taking first steps towards working.¹⁵¹

A modelling exercise undertaken for the Joseph Rowntree Foundation¹⁵² estimated the impact on child poverty of the improvements in qualifications and skills and changes in the occupational and sectoral distribution of employment envisaged by the Leitch Review of Skills.¹⁵³ Although the authors emphasise that their findings are only a preliminary estimate, the work suggested that achieving the distribution of skills and occupations envisaged by

¹⁴⁶ *Ibid.* p1

¹⁴⁷ *Ibid.* p5

¹⁴⁸ Jonathan Bradshaw *et al*, *A minimum income standard for Britain: what people think*, JRF, July 2008

¹⁴⁹ See for example G Cooke and K Lawton, *Working Poverty - a study of the low paid and the 'working poor'*, IPPR, January 2008; Peter Kenway, *Addressing in-work poverty*, JRF, November 2008. See also the Work and Pensions Committee report, *The best start in life? Alleviating deprivation, improving social mobility, and eradicating child poverty*, HC 42 2007-08 March 2008

¹⁵⁰ Donald Hirsch, *What is needed to end child poverty in 2020?*, p5

¹⁵¹ The briefing mentions reforming the '16-hour rule', which discourages parents from taking 'mini-jobs', raising income disregards for benefit claimants, reducing benefit withdrawal rates, and measures to reduce the disruption to income of moving in and out of work

¹⁵² Andy Dickerson, and Jo Lindley, *Parental qualifications and child poverty in 2020*, November 2008

¹⁵³ *Prosperity for all in the global economy – world class skills*, December 2006

Leitch could reduce the risk of child poverty by between two and five percentage points by 2020.

The lack of good quality, affordable and flexible childcare remains a major obstacle to parents seeking to move into, or progress in, paid work. A study undertaken as part of the JRF child poverty programme concluded that, while great strides had been made through childcare strategies in the United Kingdom in recent years, a number of issues still needed to be addressed.¹⁵⁴ These included childcare provision for the under threes, the adequacy of after-school provision, the complexity of the childcare element of the Working Tax Credit, and continuity of childcare arrangements for people moving in and out of work. The JRF briefing bringing together the findings from its overall child poverty research programme summarised the steps necessary to create a 'solid, high-quality childcare framework' as follows:

Part of this is extending the 'universal' element of childcare to younger ages, as well as enforcing the existing 'free' element. Part is finding better ways of offering targeted support, correcting the failures of the Childcare Tax Credit. And a final part is ensuring that the supply of childcare is improved, in terms of quality, time and location. To get to the situation that exists in some European countries where childcare is taken for granted as a local service, both affordable and available where needed, radical change is still needed.¹⁵⁵

The JRF briefing concludes that, in order to eradicate child poverty, incremental reform is not enough and that a new partnership between government, employers and families is needed:

Looking simply at change in terms of numbers, it seems very clear that the scale of policy responses employed to date will fall far short of meeting the targets, as mentioned previously. Whether in terms of the numbers who have moved into work, the extent to which rises in benefits have lifted non-working families out of poverty or the effectiveness of tax credits in reducing in-work poverty, progress has been very limited compared to what is needed. It is hard to escape the conclusion that more of similar policies will only go part of the way to making up the shortfall.

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

In brief, in such a partnership, government would do much more to help support families in terms of providing the infrastructure that enabled them to work and genuinely adequate support for those who did not; employers would offer more worthwhile opportunities that fit in with parents' lives; and families would consider taking up such opportunities, improving their own lives and those of their children.¹⁵⁶

Child Poverty Action Group (CPAG)

To mark the tenth anniversary of the Government's pledge to eradicate child poverty, the Child Poverty Action Group (CPAG) published a 'child poverty manifesto' in March 2009.¹⁵⁷

¹⁵⁴ Jane Waldfogel and Alison Garnham, *Childcare and child poverty*, November 2008

¹⁵⁵ Donald Hirsch, *What is needed to end child poverty in 2020?*, p10

¹⁵⁶ *Ibid.* p9

¹⁵⁷ CPAG, *Ending Child Poverty: a manifesto for success*

The manifesto sets out ten ‘tangible steps’ towards meeting the 2010 and 2020 goals. These include:

- Protecting jobs, to prevent a ‘fast track to child poverty’
- Increasing benefits and tax credits to meet ‘acceptable minimum income standards’, and much greater effort to increase take-up of benefits and tax credits
- Moving away from reliance means-tested support for families, which is ‘complex and expensive to administer’, and which generates ‘high levels of error’ preventing families from getting their full entitlement, and relying more on universal benefits such as Child Benefit
- Removing barriers to work, by tackling ‘unsuitable and expensive childcare, low skills and discrimination by employers’
- Tackling the problem of in-work poverty
- Putting in place a ‘child-first’ strategy for childcare, which places children’s needs, not just parents’ employment, at the forefront
- Addressing educational inequalities and the barriers preventing children growing up in poverty from benefiting from educational opportunities
- Improving access to public services for poorer families by tracking patterns of service usage, targeting funding and ensuring services meet the needs of poorer communities
- Ending the ‘poverty premiums’ low-income families face when accessing goods, utilities and services, and changes to tax policy to ensure that ‘loopholes, dodges and special treatment’ for the ‘low-tax elite’ are replaced with ‘fairer taxes for the poorest groups’
- Ensuring a decent home for every family, by investing in a programme of social housing

The manifesto followed an earlier report , *Interact: benefits, tax credits and moving into work*, published by Community Links, the Low Incomes Tax Reform Group (LITRG) and CPAG in January 2008.¹⁵⁸ The report called upon the Government to adopt a more ‘holistic, joined-up approach’ to the tax and benefits systems in order to meet its objectives of full employment and the eradication of child poverty. It argued that while many interactions between different benefits and tax credits had positive or coherent policy effects, a substantial number were contradictory, with the granting of one benefit leading to the withdrawal, or curtailment, of another. Such interactions could make claimants worse off by entering work, or working longer hours. Moving into work, or increasing working hours, could lead to unpredictable outcomes because of how different individual circumstances, responses and experiences interacted with complex fiscal measures.

CPAG is also a member of the End Child Poverty coalition, an umbrella body comprising over 150 children’s and other charities, pressure groups, faith groups and trade unions which

¹⁵⁸ LITRG website, [Interact: benefits, tax credits and moving into work](#)

has been campaigning to ensure the Government keeps its promise to reach its targets of halving child poverty by 2010 and eradicating it by 2020.¹⁵⁹

4 Background and overview of the Bill

4.1 Background

The Prime Minister announced the Government's intention to enshrine the 2020 child poverty target in his speech to the Labour Party Conference on 23 September 2008:

And because child poverty demeans Britain, we have committed our party to tackle and to end it. The measures we have taken this year alone will help lift two hundred and fifty thousand children out of poverty. The economic times are tough of course that makes things harder- but we are in this for the long haul - the complete elimination of child poverty by 2020. And so today I announce my intention to introduce ground-breaking legislation to enshrine in law Labour's pledge to end child poverty.¹⁶⁰

The Queen's Speech on 3 December 2008 included the *Child Poverty Bill* in the legislative agenda for the 2008/09 session.¹⁶¹ The Bill would 'enshrine in law the commitment to eradicate child poverty by 2020 and help to ensure that we stay on course and take action now to tackle the causes as well as the consequences of poverty.' The Government also announced that, prior to introducing the Bill in 2009, it would launch a consultation asking stakeholders how legislation could best reflect its long-term ambition to eradicate child poverty.¹⁶²

The Child Poverty Unit's consultation paper, *Ending child poverty: making it happen*, was published on 28 January 2009.¹⁶³ The paper linked the Government's pledge to tackle child poverty to its wider goal of ensuring that 'everyone has the chance to achieve their potential, no matter what their background'.¹⁶⁴ It stated:

The case for action to eradicate child poverty is clear: poverty wastes talent and opportunity and limits life chances. Children who grow up in low income families can lack the experiences and opportunities that their peers enjoy: for example, going on an extended school trip, proper diets, space to play or do homework, holidays or winter coats. Children who fall far behind their peers, particularly for prolonged periods of time, are at risk of social exclusion and limited aspirations.

A fairer society benefits everybody. The costs of child poverty not only fall to the individual but also to communities and the tax payer. Unfulfilled talent, low educational achievement and poor health reduce productivity and the ability of the UK to compete in the future. The poorer outcomes for children growing up in poverty create extra burdens and costs for public services and prevent them from operating effectively for everyone in society. Deprivation and inequality make it harder for communities to flourish.¹⁶⁵

It also mentioned the need to give families 'opportunities to break out of inter-generational cycles of deprivation'.¹⁶⁶

¹⁵⁹ For further details see the [End Child Poverty website](#)

¹⁶⁰ Labour Party website, [Gordon Brown speaks to Conference](#)

¹⁶¹ Number 10 website, [Queen's Speech – Child Poverty Bill](#), 3 December 2008

¹⁶² *Ibid.*

¹⁶³ Child Poverty Unit, [Ending child poverty: making it happen](#)

¹⁶⁴ *Ibid.* p2

¹⁶⁵ *Ibid.*

¹⁶⁶ *Ibid.* p2

In the March 2008 paper, *Ending child poverty: everybody's business*, the Government set out proposals for a 'contract out of poverty' for parents. The consultation paper developed this theme:

The Government will demonstrate its commitment to supporting parents in their role through a contract: in which the Government undertakes to provide the support that families need to move into work, the surest and most sustainable route out of poverty; to focus effort and resource to close the gaps in opportunities and achievements for poor children; and to provide financial security for those who temporarily or permanently cannot work. The Government will provide all families with a clear route out of poverty. On the other side of this contract, we look to families to make a commitment to improve their situations where they can, to do the best for their children's well-being and development, and to take advantage of the opportunities on offer. That is why the Government is increasing the expectations that we place on parents in receipt of state support.¹⁶⁷

The consultation paper set out the Government's 'vision' for 2020 and the 'building blocks' for achieving it. These included:

- Increasing parental employment and raising incomes, by tackling barriers to employment and ensuring adults have necessarily skills
- Providing financial and material support that is responsive to families' situations
- Measures to improve children's life chances so that poverty does not translate into poor outcomes, focusing on education and personal development, health, and supporting parents in their role
- Tackling deprivation in communities, including providing decent homes, to ensure that children have opportunities to develop

The consultation paper sought views on:

- Whether the Government's 'vision' captured the key areas where action was required to ensure the greatest impact on child poverty
- Whether the four 'building blocks' were the right ones to make progress towards 2020
- Whether measures of success should be extended beyond relative low income, combined low income and material deprivation, and persistent low income to also include 'absolute low income' (i.e. an income poverty threshold fixed in real terms)
- Whether proposals to publish a strategy, informed by an expert 'child poverty commission', and proposals to monitor and report on progress, would drive the action needed
- What option might best support local authorities and delivery partners and drive local action to eradicate child poverty

The consultation closed on 11 March 2009. As part of the consultation, a series of meetings and other events also took place. A detailed summary of the submissions to the

¹⁶⁷ p6, para 8

consultation, and the Government's response in the light of these, was published alongside the Bill on 12 June 2009.¹⁶⁸

4.2 Overview of the Bill

The purpose of the Bill is to 'define success in eradicating child poverty and create a framework to monitor progress at a national and local level'.¹⁶⁹ In summary, the Bill:

- Establishes four **income poverty targets** to be met by 2020/21
- Requires the UK Government to publish a **UK child poverty strategy**, which must be revised every three years. The strategy will set out the policies to meet the targets
- Requires **Scottish and Northern Irish** ministers to publish **child poverty strategies**
- Establishes a **Child Poverty Commission** to provide advice on the development of the child poverty strategies
- Requires the UK Government to publish **annual progress reports**
- Place **duties on local authorities and other 'delivery partners' in England** to work together to tackle child poverty, conduct a local needs assessment, produce a child poverty strategy and take child poverty into account in the production and revision of their Sustainable Communities Strategies

The *Explanatory Notes* state that consent has been sought from the Scottish Parliament, the Northern Ireland Assembly and the National Assembly for Wales in relation to provisions in the Bill which come within their respective competences.¹⁷⁰ The Bill does not however confer new or expanded powers on the Welsh Ministers, since the *Children and Families (Wales) Measure*, which is currently being considered by the National Assembly for Wales, will impose duties on the Welsh Ministers and other public bodies on Wales to set objectives, prepare strategies and reports in relation to child poverty.¹⁷¹

Other documents published alongside the Bill include:¹⁷²

- *Child Poverty Bill: Overview*
- *Impact Assessment for the Child Poverty Bill*
- *Equality Impact Assessment for the Child Poverty Bill*

The *Impact Assessment* sets out estimates which have been made of the costs of child poverty to individuals and to society, and compares these to estimates of the cost of 'eradicating' child poverty. It quotes extensively from research commissioned by the Joseph Rowntree Foundation, including the modelling work undertaken by the IFS and others on the cost of meeting the 2020 child poverty targets (see section 3.4 above).

JRF research¹⁷³ suggested that the 'cost' of child poverty to society was at least £25 billion a year (at 2008/09 prices), of which £12 billion was the cost to public services¹⁷⁴, £2 billion

¹⁶⁸ *Child Poverty Bill Consultation Report*

¹⁶⁹ *Explanatory Notes*, Bill 112-EN, para 5

¹⁷⁰ *Ibid.* paras 7-9

¹⁷¹ See section 3.2 above

¹⁷² These are all available at the DCSF [Child Poverty website](#)

extra benefit payments and £3 billion lower tax revenues because of poor labour market outcomes. The remaining £8 billion was due to lost earnings to individuals.

Set against this, the *Impact Assessment* quotes the IFS estimate of £19 billion a year to reduce the child poverty rate to below 10 per cent by 2020, although it notes that the figure is based on tax and benefit measures alone. It observes:

There may be a more cost effective and sustainable route than simply increasing tax credits and benefits. Indeed neither the IFS nor the JRF suggest that this policy option is a desirable way to eradicate child poverty. This option is also inconsistent with the way the Government is proposing to legislate against child poverty. The IFS costs of £19 billion are therefore likely to be an upper bound.¹⁷⁵

The *Impact Assessment* adds:

2.30 The estimates available and presented here of the costs and benefits of eradicating child poverty are not directly comparable. This is because although the benefits are relevant to the approach set out in legislation the estimate of the costs are not. Fiscal transfers alone will not eradicate child poverty and ensure children do not grow up in socioeconomic disadvantage. It will help, but to ensure the Government's aim is achieved all the negative impacts associated with poverty need to be addressed in order to be able to break the intergenerational cycle of poverty.

2.31 Both the JRF and IFS reports advocate a mixture of income transfers and other policies to address child poverty. The strategy as required by the Child Poverty Bill should do exactly this, rather than just trying to address child poverty through increasing transfers as costed by the IFS. Although raising family incomes above the poverty line would contribute to reducing the costs associated with child poverty, the most effective strategies would be to combine action on income with other social policies to reduce the disadvantages of growing up in poor families and deprived neighbourhoods. When comparing these two reports it is considered that the benefits presented are likely to be a lower bound and that the costs are likely to be an upper bound.¹⁷⁶

The *Impact Assessment* summarises the economic and social costs and benefits of tackling child poverty as follows:¹⁷⁷

¹⁷³ The findings from the three separate reports commissioned by JRF are set out in a briefing by Donald Hirsch, *Estimating the cost of child poverty*, October 2008

¹⁷⁴ The estimates did however have a very large margin of uncertainty - £12 billion to £23 billion; the £12 billion figure was at the lower bound

¹⁷⁵ *Impact Assessment*, para 2.20

¹⁷⁶ *Ibid.*

¹⁷⁷ *Ibid.* p16

<i>Economic costs</i>	<i>Economic benefits</i>	<i>Fiscal Benefits/Costs</i>	<i>Wider Social Benefits</i>
Possible disincentives to work if the tax credit and benefits system becomes too generous without requiring more from claimants.	<p>Increased productive potential of the economy due to a more productive population.</p> <p>Reducing poor outcomes should reduce the costs of public services.</p> <p>The Joseph Rowntree Foundation (October 2008) estimates that child poverty costs £25 billion each year in costs to the Exchequer and reduced GDP.</p>	<p>The proposed legislation does not make specific spending decisions which are for future Budget, PBR and Spending Review processes to determine in the normal way.</p> <p>The Institute for Fiscal Studies (February 2009) estimates that reducing the proportion of children in relative poverty to below 10 per cent in 2020 would cost around £19billion. However, this assumes that the reduction in child poverty results from increasing tax credits and benefits only.</p>	<p>Improved children's outcomes will benefit those children and society as a whole.</p> <p>These measures should increase the incomes of low income families and so there should be a social welfare gain to this measure.</p> <p>Breaking the intergenerational cycle of poverty will have positive externalities into the future.</p> <p>Increased equality of opportunity is desirable.</p>

4.3 Other legislation introducing binding targets

There are some other recent examples of legislation imposing duties on the Government to meet future targets. The *Warm Homes and Energy Conservation Act 2000* – originally a Private Member's Bill introduced by David Amess but which received Government and cross-party support – requires the Secretary of State and the National Assembly for Wales to publish and implement a strategy for reducing fuel poverty in England and Wales and to set targets for its implementation.¹⁷⁸ Section 2(5) of the Act provides a duty for the appropriate authority to 'take such steps as are in its opinion necessary to implement the strategy'. Section 2(6) gives the appropriate authorities further duties to: assess the impact of the steps taken and progress made in achieving the objectives; make any necessary revisions to the strategy; and publish reports on such assessments.

In order to fulfil its obligations under the Act the Government published the *UK Fuel Poverty Strategy* (FPS) in November 2001. However, in 2008 judicial review proceedings were brought by Friends of the Earth and Help the Aged against the Government for its alleged failure "to keep its legal duty to eradicate fuel poverty" under the Act. They argued that the Government had not done all that was "reasonably practicable" to meet the targets because it had taken into account budgetary constraints. In delivering his judgment in the High Court on 23 October 2008, however, Mr Justice McCombe said that the provisions of the Act did not impose a statutory duty on Government to achieve the desired target at whatever the cost.¹⁷⁹ The claim was therefore dismissed. Friends of the Earth said that the decision

¹⁷⁸ Sections 2(2) and (3) *Warm Homes and Energy Conservation Act 2000*

¹⁷⁹ *Friends of the Earth and Help the Aged v Secretary of State for Business Enterprise and Regulatory Reform and Secretary of State for Environment, Food and Rural Affairs* [2008] EWHC 2518 (Admin) and [2008] All ER (D) 232

created a “large loophole” in the Government’s protection for people in fuel poverty.¹⁸⁰ The claimants were however given leave to appeal; the appeal was heard on 23 June and judgment is awaited.

Further information on the *Warm Homes and Energy Conservation Act 2000* and on the judicial review can be found in the Library Research Paper on the *Fuel Poverty Bill 2008-09*.¹⁸¹

The *Climate Change Act 2008* is a further example of a piece of legislation imposing a duty on governments to meet future targets. The Act sets legally binding targets for carbon dioxide emissions for 2020 and 2050. It also provides for a new independent advisory body – the Committee on Climate Change – to advise the Government and devolved administrations on how to reduce emissions and on other matters relating to climate change. The new Committee will have a specific role in reporting annually on progress, with the Government required to lay before Parliament its response to these progress reports. Further background is given in the Library’s Research Paper on the *Climate Change Bill [HL]*.¹⁸²

An article in the *Guardian* in October 2008 noted ‘obvious parallels’ between the *Child Poverty Bill* proposals and the then *Climate Change Bill*. On the publication of the *Child Poverty Bill*, the *Guardian* observed that it was-

...largely modelled on the Climate Change Act, which requires the government to reduce carbon emissions by 80% from a baseline of 1990. But the child poverty bill will not allow the government to amend its target, unlike the climate change measure.¹⁸³

In oral evidence to the Work and Pensions Committee on 17 June 2009, the Financial Secretary to the Treasury, Stephen Timms, said that the wording of the *Child Poverty Bill* meant that the child poverty targets were ‘strongly binding’. He added:

The obligations to hit the target will be mandatory. The only way that a government in the future could get out of the obligation would be to introduce more primary legislation to replace it or to repeal this legislation once it has been enacted. I think it is a very strong form of the commitment that this Bill entails the Government taking on.¹⁸⁴

Mr Timms contrasted the provisions in the Bill with those in the *Climate Change Act*.

In the way the Bill has been drafted, the commitment to hit those four targets is binding by 2020. As I say, the only way to avert the possibility of a judicial review forcing a future government to take whatever steps are needed to hit the target would be for the legislation to be repealed. If you compare that, for example, with the Climate Change Act, there is there a mechanism to delay the target or to recognise that economic circumstances might make it impossible to deliver that. That provision is not in this Bill.¹⁸⁵

¹⁸⁰ ‘Anti-fuel poverty campaigners lose bid for more government funds’, *Press Association National Newswire*, 23 October 2008

¹⁸¹ [Research Paper 09/25](#)

¹⁸² [Research Paper 08/53](#)

¹⁸³ ‘Cooper plans binding legal commitment to cutting child poverty’, *The Guardian*, 12 June 2009, p13

¹⁸⁴ House of Commons, Minutes of Evidence Taken Before Work and Pensions Committee, Child Poverty, Uncorrected Transcript of Oral Evidence (to be published as HC 702-i), 17 June 2009, Q6 (Please note that this transcript is not yet an approved formal record of these proceedings).

¹⁸⁵ *Ibid.* Q8

The issue of how wider economic and fiscal considerations might affect efforts to tackle child poverty is considered further in the discussion below on clause 15.

5 The child poverty targets

5.1 The targets in the Bill (clauses 1-6)

Clauses 1-6 of the Bill concern the four child poverty targets and related terminology.

Clause 1 provides that it is the duty of the Secretary of State to ensure that the four targets specified in clauses 2-5 are met in the United Kingdom in the ‘target year’, which is the financial year beginning 1 April 2020 (i.e. the financial year 2020/21).¹⁸⁶

The four targets are summarised in Table 4.

Table 4

Proposed targets in Child Poverty Bill

Target measure	Target (by 2020/21)	Threshold used
Relative low income	10%	60% of median income
Absolute low income	5%	60% of median income threshold, fixed in a base year and uprated for inflation
Combined low income/material deprivation	5%	70% of median income and ‘material deprivation’ (undefined)
Persistent low income (<i>new</i>)	Not yet defined (to be fixed by 2015)	being in relative poverty in 3 of past 4 calendar years

Source: Child Poverty Bill, clauses 2-5

Relative low income (clause 2)

Subsection (1) lays down the target of less than 10% of ‘qualifying households’, defined in subsection (2) as having an equivalised net household income (see [Appendix 1](#)) below 60% of the median equivalised net household income in the financial year.

Absolute low income (clause 4)

Subsection (1) lays down the target of less than 5% of children living in households below a threshold of equivalised net household income below 60% of the median equivalised net household income in a baseline year (subsection (2)), specified as financial year 2010/11 in subsection (4).

Subsection (3) states that this baseline will be ‘adjusted in a prescribed manner to take account of changes in the value of money since the base year.’ Under clause 26(4)(a) any such regulations would be subject to the negative resolution procedure. The Bill does not specify the means to be used to uprate the base year with inflation, but the *Explanatory Notes* state ‘as measured by the Retail Price Index.’¹⁸⁷

Combined low income/material deprivation (clause 3)

The Bill lays down the target of less than 5% of children living in households with an equivalised net household income below 70% of the median household and experiencing material deprivation (subsections (1) and (2)).

¹⁸⁶ Whether the ‘persistent poverty’ target has been met will however be determined by looking at data for the four calendar years ending in the financial year 2020/21

¹⁸⁷ Bill 112-EN, para 25

'Experiencing material deprivation' is not defined in the Bill. Subsection (3) makes this definition subject to future regulations (subject to the affirmative procedure). The *Explanatory Notes* state:

The regulation-making power will enable the Government to establish what is meant by "material deprivation" and to update this definition over time to ensure that the combined low income and material deprivation target continues to reflect contemporary living standards. Experts consulted by the Child Poverty Unit have advised that such adjustments may be needed.¹⁸⁸

Persistent poverty (clause 5)

Clause 5 defines 'persistent poverty' as living in a household with equivalised net household income below 60% of the median for at least three out of the previous four calendar years ending in the relevant financial year. For 2020/21, therefore, persistent poverty will be determined by looking at data for the four calendar years 2017-2020. Calendar year data is specified because the new *Understanding Society* survey which is to be used to measure persistent poverty collects data on a calendar year rather than a financial year basis.¹⁸⁹

Unlike the other three targets, no specific numerical target for persistent poverty is set out in the Bill. Subsection (3) requires that regulations (subject to the affirmative procedure) must be made by 2015 setting out the target percentage. The Government expects that by then sufficient data will be available from the *Understanding Society* survey.

Subsection (5) allows the Secretary of State by regulations to replace the definition outlined in subsections (1)-(4) with another measure of persistent poverty. Any such regulations (which would be subject to the affirmative procedure) would have to be made before 2015 and only with the consent of the Child Poverty Commission.¹⁹⁰

Technical definitions & secondary legislative powers (clause 6)

Subsection (1) provides for regulations to set out

- What is a 'qualifying household'
- Under what conditions a child is to be regarded as being in a qualifying household
- What is 'household income'
- What deductions may be made to reach net income (subsection (2) specifies that these may not include housing costs)¹⁹¹
- The 'equivalence scale' to be used for adjusting household income

Regulations are subject to the affirmative procedure.

The Government may apply the existing approach to households, children, net income and equivalisation as used in the *Households Below Average Income* report through such regulations. These current practices are outlined in [Appendix 1](#).

Subsection (4) requires that in making any regulations on the definition of 'qualifying household' under clause 6(1)(a) the Secretary of State:

¹⁸⁸ Bill 112-EN

¹⁸⁹ For further information see the [Understanding Society website](#)

¹⁹⁰ Subsection (6)

¹⁹¹ The regulations may however specify expenses which are *not* to be treated as housing costs

... must have regard to the desirability of ensuring that the targets in sections 2 to 5 have as wide an application as is reasonably practicable, having regard to the statistical surveys that are being or can reasonably be expected to be undertaken.

The technical nature of the areas where amendments are permitted limits the scope for redefinition of the targets. The Bill does not allow the numerical end targets for 2020/21 to be amended through secondary legislation, apart from the persistent poverty indicator (which is not defined at this stage). The *Explanatory Notes* state:¹⁹²

...the child poverty targets are defined in the Bill in such a way that success can be measured by Government analysis of two statistical surveys, the Family Resources Survey and Understanding Society. If survey methodologies improve with regard to measuring income and poverty for children, and these improvements are incorporated into these surveys, then it will be necessary to amend the definitions used for the child poverty targets in the Bill so that they match the definitions used in the survey. This would ensure that the survey is still able to measure success against the targets as defined in the Bill. If no such regulation-making powers were conferred, and the survey methodology changed, then the survey could not be used to measure success against the targets.

These powers will also ensure that if the way in which income is defined for the relevant survey statistics changes in response to research or methodological evidence, these changes can be reflected in the definitions used in the Bill.

5.2 Consultation and summary of views on proposed targets

The *Ending Child Poverty* consultation document stated that a 'clear and comprehensive definition of success' was needed.¹⁹³ At present there is a national target for relative income poverty, with supporting (non-targeted) indicators tracking 'absolute' income poverty and material deprivation/low income, but not persistent poverty.

Some have suggested that interim targets or milestones towards 2020 by which progress could be judged.¹⁹⁴ There were six financial years between the 2004/05 and 2010/11 targets, and there would be a ten-year gap between the 2010/11 and 2020/21 targets. IFS researchers noted that:¹⁹⁵

...short-term political horizons of politicians might make it difficult for them to commit to implementing policies that are only likely to yield results ten or fifteen years down the line. Using interim targets to commit them [politicians] to such policies might thus be helpful to both politicians and the making of good public policy.

The following sections outline responses to the proposals in the January 2009 consultation document for each target, and some related issues:

Relative low income and 'eradication'

The debate over the definition of 'eradication' of child poverty and what this might mean in practice has been going on for several years.

The 2003 Government consultation had suggested that 'eradication' could be seen as 'a material deprivation child poverty rate that approached zero and being amongst the best in

¹⁹² Bill 112-EN, para3 31-32

¹⁹³ Child Poverty Unit, *Ending child poverty: making it happen*, Jan 2009, para 17, p6

¹⁹⁴ Child Poverty Action Group, "[Ending Child Poverty: making it happen: Response to the Child Poverty legislation consultation](#)", March 2009, p5

¹⁹⁵ Brewer, M. et al, "[Response of IFS Researchers to Child Poverty Consultation](#)", IFS, p6

Europe on relative low incomes'.¹⁹⁶ It posited a target of less than 5% of children living in relative low income poverty, a rate at or below the average of the best three or four European countries, or a rate 'within 2 percentage points of the average of the best three countries'.¹⁹⁷ It noted that any of these proposals would result in a target rate somewhere between that seen in Sweden and Denmark.

A 2004 CPAG report looked at three possible 'end points' for 2020 along these lines:¹⁹⁸

- around 7% (around 0.9 million children) being the average of the three best European countries;
- 8.5% (1.1 million) being the average of the best four; and
- 9% (1.2 million) being within two percentage points of the average.

A July 2006 report for the Joseph Rowntree Foundation by researchers at the IFS and the University of Essex¹⁹⁹, which looked at various tax and benefit policies that could be implemented to meet the future child poverty targets, suggested that interpreting 'success' in eradicating child poverty was 'clearly a matter of opinion and political judgement', noting that.²⁰⁰

In 2001, three countries in Europe (Denmark, Finland and Sweden) had relative child poverty rates of 10% or less. It could be argued that achieving a child poverty rate of between 5 and 10% in the UK falls some way short of abolishing child poverty; it is not clear, for example, whether Denmark, Finland and Sweden consider that they have abolished child poverty.

For the purposes of their analysis, they defined abolition as having a child poverty rate below 5%,

...as this is both achievable using our measure of relative poverty as shown by the success of Denmark and Finland in achieving such a poverty rate, and low enough to be consistent with child poverty actually having been abolished.²⁰¹

In their February 2009 update of their policy simulations, the same researchers noted that achieving a child poverty rate of 5% in the UK would be 'historically unprecedented'²⁰², but continued to use this definition, although they emphasised that this did not necessarily mean that they were recommending this particular rate as being consistent with 'abolishing' child poverty.²⁰³

The consultation paper stated that the Government would regard child poverty as 'eradicated' when:²⁰⁴

...fewer than one in ten children live in a low income household at any one point in time; when effectively no child experiences low income and living standards which fall below acceptable levels; and when any experiences of low income are only short-term.

¹⁹⁶ DWP, *Measuring Child Poverty*, December 2003, para 71, p20

¹⁹⁷ *ibid.*, footnote on same page

¹⁹⁸ Dornan, P. "Defining income poverty out of existence?", *CPAG Poverty articles* 117, 2004

¹⁹⁹ Mike Brewer, James Browne and Holly Sutherland, *Micro-simulating child poverty in 2010 and 2020*

²⁰⁰ *Ibid.* p17

²⁰¹ *Ibid*

²⁰² M Brewer *et al*, *Micro-simulating child poverty in 2010 and 2020*, February 2009, p6

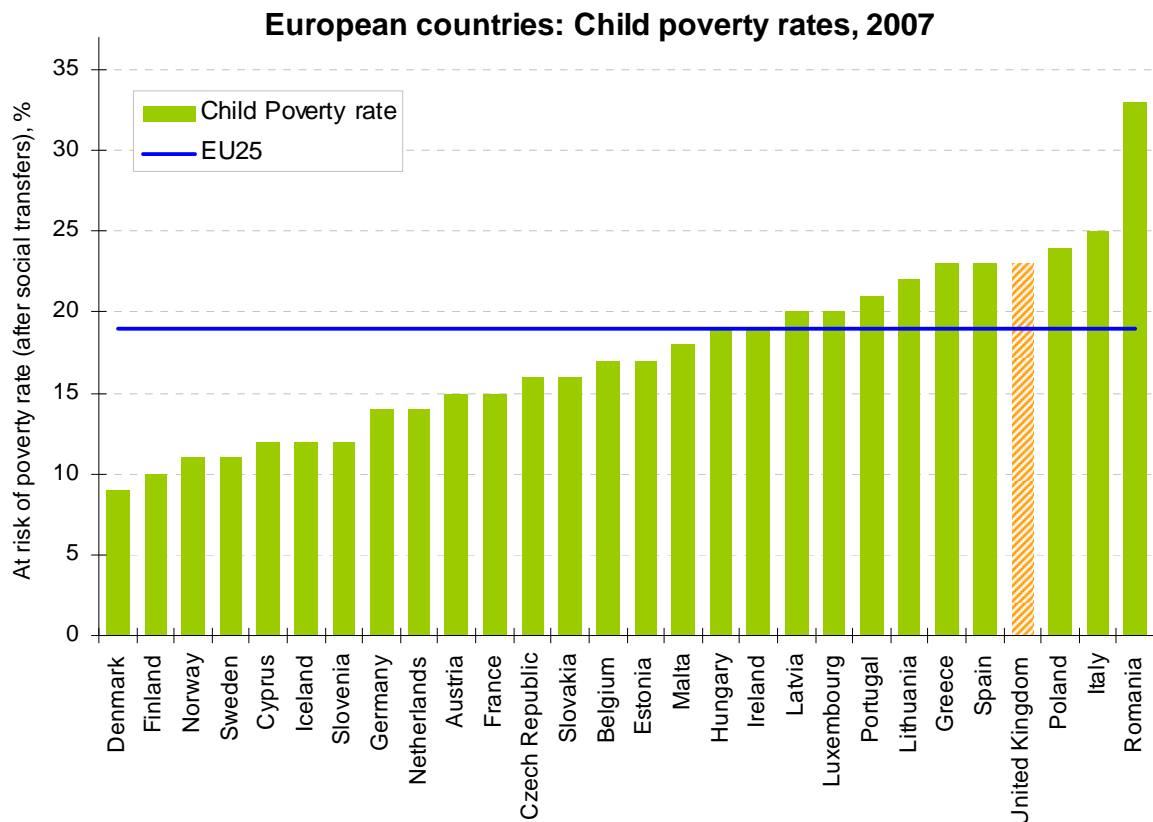
²⁰³ *Ibid.*

²⁰⁴ Child Poverty Unit, *Ending child poverty: making it happen*, Jan 2009, para 47

On relative low income, the consultation paper proposed a target based on 60% of median household income measured before housing costs, continuing the main focus of the 2010/11 target.²⁰⁵ It suggested a target range of 5-10%, noting that while 5% had been reached in Europe this had ‘not been sustained’.²⁰⁶ The Government said the proposed range would be ‘in line with the best in Europe [and] reflects the fact that it will not be technically feasible to achieve zero using a survey measure, and also reflects the dynamic nature of low incomes’. The consultation paper showed a time series of four years of child poverty data comparing the UK with five other EU countries, noting that 10% was the lowest rate in Europe in 2007.²⁰⁷ The *Impact Assessment* for to the Bill argued that 10% was ‘in line with the best sustained child poverty rates recently in Europe’ which ‘reflects the dynamic nature of low incomes’.²⁰⁸

Chart 6 shows child poverty rates for European countries (the underlying data are presented in Appendix 3), and Figure 1 tracks rates in the UK and three other EU countries since 1997.²⁰⁹ Any differences between these figures and those in the consultation paper may result from these figures being for under 16s (rather than for under 17s as stated in the consultation paper).

Chart 6



²⁰⁵ *ibid.*, box 1, p8 (see also box 3.1, paras 48-54, 55-59 and 60-63)

²⁰⁶ *ibid.*, para 51 and table 1, p20

²⁰⁷ *ibid.*, table 1, p20

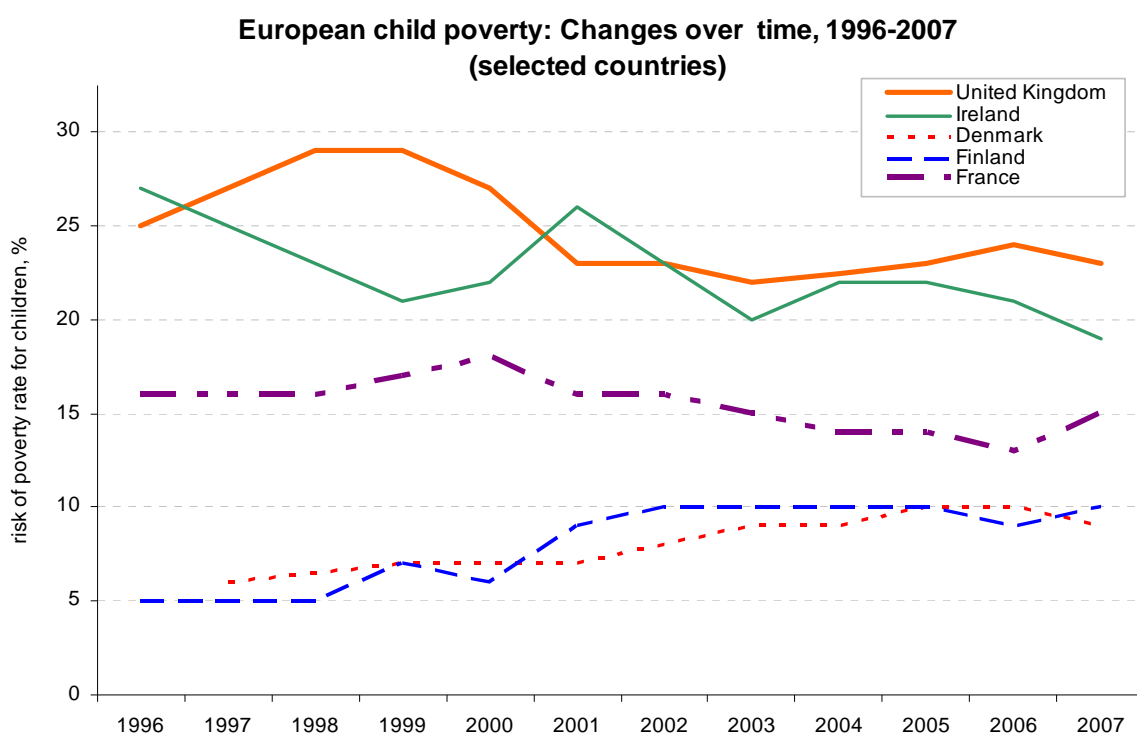
²⁰⁸ Child Poverty Unit, *Impact Assessment for 'The Child Poverty Bill'*, para 1.15

²⁰⁹ Children are defined as being aged under 16, using the 60% national median equivalised disposable income, where income is measured after social transfers have been taken into account.

In 2007, the most recent year for which data are available, the UK had the fourth highest rate of poverty (23%) among 28 European Countries, alongside Greece and Spain.²¹⁰ Higher child poverty rates were seen in three EU countries, Romania (33%), Italy (25%) and Poland (24%). The UK rate was 4 percentage points above the 19% average across the EU25. The lowest child poverty rates were seen in the Scandinavian countries: Denmark had the lowest rate in 2007 (9%), followed by Finland (10%), Norway and Sweden (11%).

The chart below shows how poverty rates have changed since for five selected countries: the UK, Ireland (which had a similar rate to the UK in 1996), France, and Denmark and Finland (which both had the lowest rates in 1996-1997). This shows the lowest rate reached in European countries in recent years: 5% in Finland from 1996-1998. However, this has since risen to 10%, while Denmark had a rate of 9% in 2007.

Chart 7



The IFS described the proposed 5-10% target range as a ‘loosening’ from previous pronouncements that would ‘make it a little easier’ to meet the 2020/21 target.²¹¹ CPAG advocated a 5% target arguing that 10% of ‘children experiencing poverty would be an improvement, but it is not eradication.’²¹² End Child Poverty also argued for a 5% or below target (the ‘lowest historically in Europe’), alongside “a measure of persistent poverty which should approach zero.”²¹³

²¹⁰ 26 EU Member States plus Norway and Iceland. No 2007 data available for Bulgaria (and hence for the EU27), nor accession countries Croatia and Turkey.

²¹¹ “Ministers suggest more realistic child poverty target”, *IFS release*, February 2009

²¹² Work & Pensions Committee, *Memorandum submitted by Child Poverty Action Group (CP 14)*, for one-off evidence session on child poverty, May 2009

²¹³ “End Child Poverty coalition statement of principles: Legislating for the eradication of child poverty by 2020”, *Ending child poverty: making it happen – a response from End Child Poverty*, 11 March 2009

The Government's consultation report acknowledged views that the relative target should be 5%, rather than 5-10% which had been seen by some as 'not appropriate and not ambitious enough' to constitute eradication.²¹⁴

IFS researchers also favoured a 'firm numerical target' rather than a 5-10% range.²¹⁵ They said 10% 'would be a considerable achievement, as the UK has never had a child poverty rate this low' since comparable records began in 1961.²¹⁶ Child poverty reached its lowest level in 1968, when it was 1.4 million (10.8%).²¹⁷

The IFS has also noted that some households with very low reported incomes have high living standards, suggesting that 'their incomes are mis-measured or that they are poor only temporarily.' They argue that defining 'eradication' as a zero relative income poverty rate is 'impractical',²¹⁸ although it was 'difficult to say whether it would be technically possible to achieve a relative child poverty rate of below 5%, as argued by the government'.²¹⁹ On the broader issue of what should constitute eradication, IFS researchers noted:²²⁰

On the deeper point of whether or not stated *numerical targets represent eradication or not*, it is difficult to make any firm judgement. Naturally, approaching zero on the permanent low income measure would seem to be consistent with the eradication of permanently low incomes, as would the combined material deprivation and relative low-income (assuming that temporarily poor households would be able to escape material deprivation through savings and borrowing).

CPAG also argue that short-term fluctuations in poverty rates could be addressed using a 3-year rolling average.²²¹

In an oral evidence session on 17 June, the Chairman of the Work and Pensions Committee, Terry Rooney, raised the issue of the 10% target which he said "cannot in any way be classed as eradication", being "almost an admission of failure", and proposed a 5% target. The Financial Secretary to the Treasury, Stephen Timms, said:²²²

Of course there is an argument that for as long as there is a single child who is living in a household whose income is less than 60 per cent of median income for a household of that size, then child poverty has not strictly been eradicated. In reality, we know that there will always be some children, even if only for a short period, who are below the relative poverty line, and so the question that we have had to confront in drawing up the legislation is what is the definition of eradication that we should use.

²¹⁴ Child Poverty Unit, *Child Poverty Bill Consultation Report: Stakeholder submissions and the Government's response*, June 2009, p10 and p5

²¹⁵ Brewer, M. et al, "Response of IFS Researchers to Child Poverty Consultation", IFS, p4

²¹⁶ Work & Pensions Committee, "Child Poverty: evidence from Mike Brewer and Luke Sibieta, Institute for Fiscal Studies", 20 May 2009, [Memorandum submitted by IFS \(CP 03\)](#) for one-off evidence session on child poverty

²¹⁷ For BHC income in Great Britain only; on an AHC basis the lowest rate over the period was 1.5 million (11.9%) also in 1968. Source: [IFS Inequality and Poverty Spreadsheet](#) (zipped archive file) accompanying "[Poverty & Inequality in the UK 2009](#)", IFS Commentary 109, May 2009. See also Charts 1 and 2 in this Research Paper

²¹⁸ "[Poverty & Inequality in the UK 2009](#)", *IFS Commentary* 109, May 2009, p46

²¹⁹ Work & Pensions Committee, "Child Poverty: evidence from Mike Brewer and Luke Sibieta, Institute for Fiscal Studies", 20 May 2009, [Memorandum submitted by IFS \(CP 03\)](#) for one-off evidence session on child poverty, discussed in more detail in Brewer, M. et al, "[Response of IFS Researchers to Child Poverty Consultation](#)", IFS, p5

²²⁰ Brewer, M. et al, "[Response of IFS Researchers to Child Poverty Consultation](#)", IFS, pp4-5

²²¹ Child Poverty Action Group, "[Ending Child Poverty: making it happen: Response to the Child Poverty legislation consultation](#)", March 2009, p5

²²² House of Commons, Minutes of Evidence Taken Before Work & Pensions Committee, Child Poverty, [Uncorrected Transcript of Oral Evidence](#) (to be published as HC 702-i), 17 June 2009, Q5 (Please note that this transcript is not yet an approved formal record of these proceedings).

He emphasised that “no European country has achieved five per cent on an enduring basis”,²²³ and suggested that 10% was the “pragmatic level to set”.²²⁴

Absolute low income

The January 2009 consultation paper invited views on inclusion of a possible fourth target of ‘absolute’ low income, which would ‘capture whether low income families see their real incomes increase over time’. It is important to note that the Government’s measure of absolute poverty is based on low income compared with a fixed point in time, rather than notions of a subsistence level of income (as noted in part 1.1 above).

The Government’s consultation summary stated that around half of the 150 responses to the consultation question on the inclusion of an absolute low income measure felt that such a measure would ‘provide additional value’, but many also highlighted problems. *The Guardian* noted that some see this measure as ‘an easier target to achieve than cutting relative poverty’.²²⁵ In evidence to the Work and Pensions Committee in June 2009, the Financial Secretary to the Treasury, Stephen Timms, highlighted that the 2010/11 target had already been met on an absolute low income basis, although he acknowledged that it would be harder to meet on a relative basis.²²⁶

A Government overview of the Bill noted the view among respondents that an absolute measure would ‘provide an assessment of real terms growth in incomes, which can be particularly important in times of recession’.²²⁷ Many also highlighted drawbacks however. CPAG, for example, commented:

The case usually made for this measure is it helps track severe poverty, but the evidence does not suggest it does this very well (the absolute low income measure becomes irrelevant over time and the relationship between material deprivation and apparently very low incomes is unclear). Neither is the absolute low income measure a particularly good indicator of children’s life chances – the numbers fell over the 1980s when other indicators were rapidly worsening. The measure can also be confused with the more important relative low income measure and wastes time in unhelpful debates about the differences between ‘absolute’ and ‘relative’ measures.²²⁸

In their submission to the consultation, IFS researchers argued that, in light of the current economic downturn, the inclusion of an absolute measure of child poverty would be useful in order to confirm that the living standards of low-income households were improving, as relative income poverty could fall even if their incomes fell as long as the income of the median household fell by a larger amount.²²⁹ They noted however that absolute measures based on thresholds of median income became less relevant over time, as the number of families with very low measured incomes shrank. By 2020, only a small group would have incomes below 2007/08 levels in real terms, and the researchers noted the ‘well-known problems with using families with the lowest recorded incomes as a guide as to the number or characteristics of families with the lowest living standards’.²³⁰ Rebasement of the absolute indicator could create ‘undesirable discontinuities’. To get around these problems, the IFS

²²³ *ibid.*

²²⁴ *ibid.*

²²⁵ “Downturn will hit child poverty plans, ministers admit”, *The Guardian*, 29 January 2009, p2

²²⁶ House of Commons, Minutes of Evidence Taken Before Work & Pensions Committee, Child Poverty, [Uncorrected Transcript of Oral Evidence](#) (to be published as HC 702-i), 17 June 2009, Q3 (Please note that this transcript is not yet an approved formal record of these proceedings).

²²⁷ Child Poverty Unit, *Child Poverty Bill: Overview*, June 2009, p5

²²⁸ Child Poverty Action Group, “Ending Child Poverty: making it happen: Response to the Child Poverty legislation consultation”, March 2009, pp4-5

²²⁹ Brewer, M. et al, “Response of IFS Researchers to Child Poverty Consultation”, IFS, p3

²³⁰ *ibid.*

researchers suggested that the incomes of the lowest 20% could be tracked, perhaps on a rolling basis, or the material deprivation/low income measure used which 'should itself confirm that the real living standards of low incomes families with children are improving year-on-year' and which 'would also minimise the number of targets for 2020'.²³¹

Combined low income/material deprivation

The consultation paper proposed that the comparatively new low income/material deprivation be retained, and reduced 'to a level approaching zero' by 2020.²³²

There were fewer responses directly concerning this target. The IFS noted that the target for this measure was to be 'approaching zero' and that the concept was 'also still to be fully defined'.²³³ CPAG supported the use of this measure, and urged its wider use. It also called for a clarification of what constituted 'approaching zero', and noted that:²³⁴

The original intent behind the index was that this would be rebased every 5 years (the index was first used in 2004/05). Though we understand Government is considering how to take this forward, we assume this will not now be in place for 2009/10. To keep both the spirit of the initial proposal and to ensure the ongoing relevance of the index, Government needs to rebase it urgently.

Persistent poverty

The consultation paper argued that it was important for any definition of success to include a measure of 'persistent poverty':

The length of time that a child is in poverty, and how often it recurs, can have a significant detrimental impact on their experiences and life chances. Research shows that children who live in persistent poverty are more likely than those who experience temporary poverty to be at risk of worse outcomes, for example, being suspended or expelled from school (11 per cent compared to 6 per cent) or living in bad housing (48 per cent compared to 33 per cent); and the chance of escaping low income falls as the length of time in poverty increases.²³⁵

The paper proposed a new indicator based on long-term child poverty. Although data are already collected on persistent poverty, there has until now been no specific target or indicator for such a measure.

Due to 'technical issues' with measurement and the introduction of a new survey for persistent poverty data (raising consistency issues with previous survey results), an as yet undefined indicator would be included. Current practice defines 'persistence' as being in relative low income poverty for three of the previous four years.²³⁶ In 2003-2006, 10% of children were classed as being in persistent poverty using the standard 60% of median income threshold (before housing costs), or 20% on a higher 70% of median income threshold (although the income definition differs from that used in HBAI and elsewhere in this

²³¹ *ibid.*

²³² Child Poverty Unit, *Ending child poverty: making it happen*, Jan 2009, para 58, p21

²³³ "Poverty & Inequality in the UK 2009", *IFS Commentary* 109, May 2009, box 4.2

²³⁴ Child Poverty Action Group, "*Ending Child Poverty: making it happen: Response to the Child Poverty legislation consultation*", March 2009, p5

²³⁵ *Ending child poverty: making it happen*, para 60

²³⁶ *ibid.*, paras 63 & 70.

paper).²³⁷ The consultation document said that ‘continued progress’ should be seen in reducing persistent poverty over time.

10% of respondents to the consultation mentioned the importance of persistent poverty indicators, some being concerned that ‘the detrimental effects of living in persistent poverty which could lead to low level aspirations and the increased likelihood of experiencing a range of poorer outcomes.’²³⁸

The IFS noted that this measure was ‘still to be precisely defined, but would likely indicate whether children lived in poverty for a number of years rather than just one year.’²³⁹ IFS researchers said that ‘those with permanently low incomes are likely to be those with the lowest living standards, and be unable to smooth their consumption patterns through savings and borrowing. We look forward to further consultation on how this will be measured.’²⁴⁰

Treatment of housing costs

There was also support in responses to the consultation paper for a measure using income after housing costs (AHC), ‘because families could appear to be living above the poverty line but with actual disposable income below it.’²⁴¹ The Bill’s Impact Assessment notes that stakeholders considered after housing costs ‘to be the best way to determine accurate levels of poverty.’²⁴² Similar arguments had been advanced during the consultation on the previous 2010/11 target, which unlike the 2004/05 target was to be judged only on an income before housing costs basis (the 2004/05 target was tracked on both before and after housing costs bases).

The Government rejected the use of AHC income, which it said would prevent ‘transparent comparisons with other European countries’, and that the low income/material deprivation measure covered families just above the poverty line (as it used a 70% of median threshold rather than 60%) and suffering material deprivation ‘which may be because high housing costs are affecting their living standards.’²⁴³

Other, non-income, measures

Some consultation respondents felt that ‘income indicators were not necessarily the most effective indicators.’²⁴⁴

The IFS expressed ‘serious concerns’ that only income-based targets were being used, raising the ‘risk that the policy response will be skewed towards those measures that have immediate and predictable impacts on household incomes – mostly tax and benefit changes

²³⁷ DWP, *HBAI 2007/08*, table 7.1, p170. An alternative approach using the bottom 20% of the income distribution suggests 16% in persistent poverty, or 27% using the bottom 30%. On AHC income the persistent poverty rate was around 4 percentage points higher. The existing source of persistent poverty data the British Household Panel Study (see www.iser.essex.ac.uk/ulsc/bhps/ and DWP, *Low Income Dynamics, most recent for 1991-2005*) is to be replaced with a new survey ‘Understanding Society’ (see www.understandingsociety.org.uk), a longitudinal UK study covering 40,000 households (compared to around 5,000 in the BHPS) of around 100,000 individuals starting in 2009. The last BHPS data will cover 2005-2008. The consultation stated that the Government would seek technical advice from the proposed expert commission on this indicator, with a target “introduced as soon as practicably feasible.”

²³⁸ Child Poverty Unit, *Child Poverty Bill Consultation Report: Stakeholder submissions and the Government’s response*, June 2009, p18

²³⁹ “Poverty & Inequality in the UK 2009”, *IFS Commentary* 109, May 2009, box 4.2, p45

²⁴⁰ Brewer, M. et al, “Response of IFS Researchers to Child Poverty Consultation”, IFS, p4

²⁴¹ Child Poverty Unit, *Child Poverty Bill Consultation Report: Stakeholder submissions and the Government’s response*, June 2009, p5

²⁴² Child Poverty Unit, *Impact Assessment for ‘The Child Poverty Bill’*, para 1.11

²⁴³ Child Poverty Unit, *Child Poverty Bill Consultation Report: Stakeholder submissions and the Government’s response*, June 2009, p6

²⁴⁴ *ibid.*, p5

– rather than those that will do the most to improve the lives of today’s children or to reduce the risk of the next generation of children being poor.²⁴⁵ It noted the Government’s *Opportunity for All* report which charts progress on a range of indicators (the most recent edition is from October 2007).²⁴⁶ IFS researchers suggested targets in other areas, such as an education target aimed at ‘closing the gap between the proportion of children eligible for free school meals who attain 5 good (A*-C) GCSEs, including English and Maths, and the national average.’²⁴⁷

The IFS researchers also favoured a measure based on family expenditure (rather than income), which they said ‘is likely to be a better guide to long-term resources or permanent income than is current income’ as families could borrow or save to smooth spending with variable income levels.²⁴⁸ They said this could replace the material deprivation/low income indicator as a ‘direct representation of living standards’ and also replace the persistent poverty indicator as it would be a ‘guide to long-term resources’.²⁴⁹

The Impact Assessment for the Bill acknowledged concerns ‘that income measures alone may skew policy away from broader measures linked to the ‘building blocks’ of housing, healthcare, environments and progression opportunities within work.’²⁵⁰

5.3 Child poverty targets after 2020 (clause 16 and Schedule 2)

The status of child poverty targets after 2020 was not explicitly referred to in the consultation document. **Clause 16** introduces **Schedule 2**, which contains provisions concerning the continuing effect of the targets after the 2020/21 ‘target year’.

The Schedule places a duty on the Secretary of State to ensure that the targets, if met in 2020/21, continue to be met in subsequent years. If any of the targets are *not* met in 2020/21, the Secretary of State must make regulations ‘as soon as reasonably practicable’ to ensure the targets are met by a ‘renewed target year’. The regulations (which would be subject to the affirmative procedure) essentially allow the policy framework created by the Bill to remain in place until the targets are met.²⁵¹ They must:

- Set a new target year
- Require the Secretary of State, the Scottish and Northern Irish ministers, after consulting certain persons and bodies, to publish further strategies
- Require the Secretary of State to publish annual reports

The regulations may confer or impose functions on the Child Poverty Commission.²⁵² Again, the Government must take into account economic and fiscal circumstances when drawing up a strategy, and the Commission must also take these factors into account when offering advice. The Scottish and Northern Irish ministers must also have regard to the resources available to them when preparing their strategies.²⁵³

²⁴⁵ “Poverty & Inequality in the UK 2009”, *IFS Commentary* 109, May 2009, box 4.2

²⁴⁶ DWP *Opportunity for All* page and 2007 report

²⁴⁷ Brewer, M. et al, “Response of IFS Researchers to Child Poverty Consultation”, IFS, p5

²⁴⁸ *ibid.*, p4

²⁴⁹ *ibid.*

²⁵⁰ Child Poverty Unit, *Impact Assessment for ‘The Child Poverty Bill’*, para 1.11

²⁵¹ Paragraph 3.19 of the *Impact Assessment* states that ‘The Bill specifies that the targets (or more demanding targets) must be met after 2020’ (emphasis added).

²⁵² Paragraph 5

²⁵³ Paragraph 7

Paragraph 8 requires the Secretary of State to publish a statement on whether the targets have been met in the renewed target year, and if any of the targets have *not* been met, to explain why not.

Paragraph 9 provides that regulations (subject to the affirmative procedure) may amend the ‘absolute low income’ target for years beyond 2020. The *Explanatory Notes* state that this provision is required ‘...because in order for it to remain an accurate measure, it will be necessary to reset the current baseline of 2010-2011 at regular intervals’.²⁵⁴ The regulations may alternatively repeal the absolute low income target entirely after 2020/21, as:

If the necessary growth in incomes has been achieved by 2020, it may be decided that it is not necessary to establish a new absolute low income target.²⁵⁵

6 Other aspects of the Bill

6.1 Child Poverty Commission

The consultation paper stated that to ensure that child poverty strategies were ‘ambitious and achievable’, the Government intended to establish an ‘expert commission, bringing leaders in the field together, to provide advice to the Government to inform the child poverty strategy.’²⁵⁶ It added:

Among other things the commission will be asked to consider the barriers to achieving the Government’s vision and analyse areas of best practice across the UK. The Government will also remit technical matters to the expert commission for consideration: for example, the commission will be asked to consider the technical aspects of the persistent poverty indicator.²⁵⁷

Most respondents to the consultation agreed that a strategy informed by an expert commission that monitored and reported on progress would be a driver for action, and that it would be important not to delay setting up the commission.²⁵⁸ Issues raised by respondents included:

- The need for the Commission to have a clear rationale and mechanisms to scrutinise progress
- The Commission should have a duty to consult and involve stakeholders and organisations with direct experience and understanding of poverty
- The need for reports to be transparent, accessible and available to all interested parties
- That the Commission should be truly independent and have sufficient authority²⁵⁹

The Government’s response in the light of the consultation states that ‘The Commission is incredibly important to ensure the strategy is informed by the best possible advice. By

²⁵⁴ Bill 112-EN, para 127

²⁵⁵ Bill 112-EN, para 128

²⁵⁶ para 70

²⁵⁷ *Ibid.*

²⁵⁸ *Child Poverty Bill Consultation Report*, p19. In their responses, the Child Poverty Action Group and Gingerbread suggested that in order to make progress, a ‘shadow’ Commission should be established, if necessary before the Bill receives Royal Assent, citing the precedent of the Committee on Climate Change established prior to the *Climate Change Act 2008*.

²⁵⁹ *Ibid.* p7

publishing their advice, the Commission will help the public hold Government to account for the effectiveness of its strategy.¹²⁶⁰

Clause 7 and Schedule 1

Clause 7 establishes the Child Poverty Commission. Subsection (4) enables the Secretary of State by order (subject to the affirmative procedure) to abolish the Commission at any point after the financial year 2020-21. The *Explanatory Notes* state that ‘this power will be used if the Government considers that there is no longer a role for the Commission’.²⁶¹

Details about the Commission are set out in **Schedule 1**. Paragraph 1 provides that the Commission is to comprise:

- A chair appointed by the Secretary of State
- One member each appointed by the devolved administrations in Scotland, Wales and Northern Ireland; and
- Additional members appointed by the Secretary of State (who must consult the chair and the devolved administrations before making any such appointments)

The Secretary of State may, after consulting the chair, appoint one of the members as the deputy chair.²⁶²

Paragraph 1(4) requires that the Secretary of State must-

have regard to the desirability of securing that the Commission (taken as a whole) has experience in or knowledge of—

- (a) the formulation, implementation and evaluation of policy relating to child poverty;
- (b) research in connection with child poverty;
- (c) work with children and families experiencing poverty.

Members must be appointed for a term of not more than five years.²⁶³ The Secretary of State must give his consent to the terms of any appointment made by the devolved administrations.²⁶⁴

Paragraph 9 provides that the Secretary of State may provide the Commission with such staff, accommodation, equipment, facilities and sums ‘as the Secretary of State may determine are required by the Commission in the exercise of its functions’. Paragraph 10 enables the Secretary of State to pay members of the Commission, or make payments on their behalf.²⁶⁵

The *Impact Assessment* assumes a Commission comprising 14 persons meeting four times a year, supported by a secretariat consisting of a Policy Grade 7 official and one Executive Officer. Total annualised cost is estimated at £190,000. This does not include funding to

²⁶⁰ *Ibid.*

²⁶¹ Bill 112-EN, para 40

²⁶² Paragraph 1(3)

²⁶³ Paragraph 3

²⁶⁴ Paragraph 4

²⁶⁵ The *Explanatory Notes* state that this will enable payments to be made to the organisations members of the Commission work for (para 115)

commission research, which the Government estimates would require an additional £200,000 a year.²⁶⁶

In its response to the consultation paper, the Child Poverty Action Group expressed concern about the resourcing of the Commission, contrasting the proposals with the Low Pay Commission, which had a secretariat of eight and the capacity to commission and undertake in-house research.²⁶⁷ In further evidence to the Work and Pensions Committee, CPAG argued that the Commission should have ‘real teeth by giving it a public profile, research budget, ability to call for evidence and publish recommendations’.²⁶⁸

Paragraph 11 of Schedule 1 provides that the Commission is not to be regarded as ‘the servant or agent of the Crown’. The Commission may regulate its own procedure, and establish sub-committees.²⁶⁹ Members of the Commission are disqualified from membership of the House of Commons and the Northern Ireland Assembly.²⁷⁰

Paragraph 16 covers the duty to provide advice. The Commission must comply with a request for advice from the Secretary of State under clause 9, or from the Scottish Ministers or the relevant Northern Ireland department under clause 12.²⁷¹ The Commission’s advice must give reasons for that advice, and must be published as soon as is practicable after it has been given.

Clause 15 requires that, when considering any advice to be given, the Commission must take into account:

- (a) economic circumstances and in particular the likely impact of any measure on the economy;
- (b) fiscal circumstances and in particular the likely impact of any measure on taxation, public spending and public borrowing.

The Secretary of State is also required to take account of these matters when preparing a child poverty strategy (see below).

6.2 Strategies

The consultation paper set out proposals for a ‘clear and transparent’ child poverty strategy, to be ‘refreshed’ every three years, evaluating progress towards the eradication of child poverty by 2020 and setting out milestones for future action across policy areas:

67. It is envisaged that legislation would include a duty for the Government to publish a child poverty strategy to 2020. The strategy would set out how the Government intends to reach the 2020 goal. It would aim to:

- spell out the size of the challenge and the contribution required across the building blocks, and give a clear sense of what needs to be achieved in order to guarantee success; and
- assess next steps and priorities, particularly to tackle areas where performance is not on track, to achieve the long-term goal.

²⁶⁶ *Impact Assessment for the Child Poverty Bill*, para 3.11

²⁶⁷ *Ending child poverty: making it happen: CPAG response*, p6

²⁶⁸ *Memorandum submitted by Child Poverty Action Group* (CP 14), May 2009

²⁶⁹ Paragraphs 13 and 12 respectively

²⁷⁰ Paragraph 19

²⁷¹ There is no corresponding duty to comply with a request for advice from the Welsh Assembly Government

68. The strategy will be used to bring a greater focus on child poverty across government and beyond, and co-ordinate plans so that activity is focused in a way that has the best and most sustainable effect by 2020. It will need to take into account the experiences and views of local partners and service providers as well as children and families living in poverty.

69. In view of the complex mix of devolved and non devolved functions and the interdependency of each in meeting the 2020 child poverty target, it is vital to ensure that the strategy of the UK Government is complemented by the strategies in place and planned by the Devolved Administrations.²⁷²

The ‘building blocks’ set out in the consultation paper covered:

- Employment and adult skills
- Financial and material support
- Services for children, young people and families
- Housing and neighbourhoods

The majority of respondents to the consultation believed that the proposed ‘building blocks’ identified the key areas of concern for those most at risk of poverty. However, respondents also argued that the analysis in the strategy would need to bring out the interrelationships and connections between the building blocks, rather than treating them in isolation.²⁷³ The *Consultation Report* gives a detailed summary of responses. Respondents mentioned, among other things-

- The need for good quality, affordable childcare should be given greater prominence
- The complexity of the current tax and benefit system caused problems for low income families and the system needed to be overhauled
- Housing had to play an integral role in any child poverty strategy
- The problem of in-work poverty needed to be addressed, by increasing the minimum wage, reforming benefits including Housing Benefit to ease the transition to work, and acknowledging that many parents lacked confidence in the Working Tax Credit system
- The ‘building blocks’ did not identify the specific disadvantages faced by disabled people
- The need to acknowledge that the current system was not providing ‘strong and progressive financial support’ and to articulate what this meant and how it could be achieved

The consultation paper stated:

The Government has set itself the aspiration that financial support should respond to families’ situations in and out of work. **For those experiencing short periods out of work, sufficient income needs to be provided to support their families while they**

²⁷² *Ending child poverty: making it happen*, pp23-24

²⁷³ *Child Poverty Bill Consultation Report*, p4

are looking to get back into work. For those with greater need, including those who cannot work, additional practical and financial support must be provided to lift them out of poverty.²⁷⁴

A number of organisations argued however that there should be a firmer commitment to ensure that benefit levels for out-of-work families were sufficient to prevent poverty.²⁷⁵ CPAG, for example, commented:

Government needs to be clearer on this – safety net benefit rate is not only damagingly low (£60.50 as the single adult rate of income support, plus child payments) but it is illogical to set the safety net below the level of the poverty line when it is the official target to lift children above the poverty line. Government should commit (not just aspire) to increase the value of out of work incomes to at least the poverty line.²⁷⁶

The response from the Joseph Rowntree Foundation drew attention to the tension between providing adequate support and maintaining work incentives:

The document states that the future welfare system will provide the support described in the ‘vision’ while maintaining work incentives. There is no acknowledgement that there is a potential tension between the two objectives. To be credible, the proposals need to acknowledge this possible tension and describe how the government intends to resolve it. In particular, there should be discussion of the extent to which work incentives are to be maintained by raising the incomes of those in work (through improving pay and job quality and/or through tax credits). The alternative approach is to maintain work incentives by depressing the level of benefits. It is difficult to see how this latter approach is compatible with the goals of supporting families looking for work or unable to work, but this needs to be clarified.²⁷⁷

The response by researchers at the Institute for Fiscal Studies also noted that while providing financial and material support for low income families was important, it was just as important to maintain work incentives, especially if it is hoped to increase employment rates. They added:

Furthermore, whilst increased financial support may be the most direct way of achieving income-based targets, this should not be allowed to skew policy responses. We feel that other factors, such as education, should have much greater prominence in order to improve the life-chances of today’s children, and to reduce the inter-generational transmission of poverty.²⁷⁸

The IFS researchers noted that educational attainment was the single strongest predictor of future earnings prior to entry into the labour market, and was also associated with improved health and other measures of well-being. They commented:

Without reducing the number of children with low levels of educational attainment, it is hard to see how the 2020 child poverty targets can be achieved. We feel that this should thus be one of the most important building blocks, if not the most important.²⁷⁹

The Government’s response in the light of the consultation states:

²⁷⁴ *Ending child poverty: making it happen*, para 30, original emphasis

²⁷⁵ See for examples the responses from CPAG, Citizens Advice and the Joseph Rowntree Foundation

²⁷⁶ *Ending Child Poverty: making it happen: CPAG response*, p3

²⁷⁷ *Ending Child Poverty: making it happen: submission by the Joseph Rowntree Foundation*, p6

²⁷⁸ *Response of IFS Researchers to Child Poverty Consultation*, p2

²⁷⁹ *Ibid.*

The legislation enshrines a broad approach to tackling child poverty, which extends beyond income measures and related policy responses. The building blocks are a useful way of developing the strategy, but the analysis in the strategy will need to bring out complex interrelationships and connections between the building blocks, rather than treating them in isolation. The Government's Child Poverty Unit is working across all key departments to ensure that policy areas are integrated effectively.

The Government agrees with respondents that part of its task in developing the strategy will be to identify the appropriate policy responses to meet the needs of all children, especially those most at risk of living in poverty.

Although, it is not appropriate to include specific policy measures in primary legislation, the Bill allows for all the relevant areas of policy to be covered in the strategy. As the strategy is developed, it will therefore be essential to continue to engage stakeholders, drawing on their expertise, knowledge and experience as the Government's analysis progresses.

The Government believes the Bill itself should not be too prescriptive about the content of the strategy which will need to account for changing circumstances and emerging evidence about barriers to eradicating child poverty between now and 2020. Stakeholders will be consulted closely and kept informed of emerging evidence and approaches as the strategy develops.²⁸⁰

Clauses 8-12 and clause 15

Clauses 8-12 require the Secretary of State, Scottish and Northern Irish ministers to prepare child poverty strategies through to 2020, to be revised at three year intervals. The Bill does not impose a corresponding requirement on Welsh Ministers, since the *Children and Families (Wales) Measure*, which is currently before the National Assembly for Wales, already makes provision in this area.²⁸¹

Clause 8 requires the Secretary of State to publish and lay before Parliament a UK child poverty strategy, within twelve months of the Bill receiving Royal Assent. The strategy must set out the measures the Government proposes to take in order to-

- Comply with the duty in clause 1 to meet the child poverty targets specified in clauses 2-5; **and**
- To ensure 'as far as possible that children in the United Kingdom do not experience socio-economic disadvantage'

The requirement to set out measures to tackle socio-economic disadvantage recognises that not all children in the United Kingdom are covered by the surveys which will be used to derive the poverty estimates, for example those living in communal establishments or institutions. The *Explanatory Notes* state:

The Bill is intended to address poverty experienced by all children, and is not limited to children whose circumstances can be measured by the targets in clauses 2 to 5.²⁸²

'Socio-economic disadvantage' is not defined in Part 1 the Bill.

Subsection (4) requires the Secretary of State to review the strategy and publish a revised strategy every three years, up to the 2020 'target year'.

²⁸⁰ *Child Poverty Bill Consultation Report*, pp4-5

²⁸¹ *Explanatory Notes*, Bill 112-EN, para 9

²⁸² Bill 112-EN, para 48

Subsection (5) provides that in preparing a UK strategy, the Secretary of State must consider what, if any, measures ought to be taken in the following areas:

- The promotion and facilitation of the employment of parents or of the development of the skills of parents
- The provision of financial support for children and parents
- Health, education and social services
- Housing, the built or natural environment and the promotion of social inclusion

Subsection (6) provides that a UK strategy must:

- Describe the progress the Secretary of State considers needs to be made over the period covered by the strategy in relation to the child poverty targets; and
- Describe the progress the Secretary of State intends to make to ensure that as far as possible children do not experience socio-economic disadvantage, over the period covered by the strategy and by the 2020 target year

Revised UK strategies must describe measures taken in accordance with the previous strategy or in accordance with strategies prepared by the devolved administrations, and their effect on progress towards the child poverty targets and tackling socio-economic disadvantage.²⁸³

Clause 9 requires the Secretary of State to request the advice of the Commission when preparing a UK strategy. The Secretary of State may also request the advice of the Commission at any time, in relation to the UK strategy or the child poverty targets. The Secretary of State must 'have regard to' any advice given by the Commission under this clause.

Subsection (4) also requires the Secretary of State, when preparing a UK strategy, to consult:

- Such local authorities or associations of local authorities in England as he thinks fit
- The devolved administrations (including Wales)
- Such children, or organisations working with or representing children, as he thinks fit
- Such other persons as he thinks fit

The Secretary of State must also, when preparing a UK strategy, 'have regard to' any Scottish, Welsh or Northern Ireland strategies.²⁸⁴

Clauses 10 and 11 require the Scottish Ministers and the relevant Northern Ireland department respectively to prepare child poverty strategies, which must be revised every three years, setting out how they propose to contribute to the Secretary of State's compliance with the duty to ensure the child poverty targets are met, and detailing measures they propose to take to tackle socio-economic disadvantage among children. The requirements mirror those in clause 8, although there is no requirement to consider

²⁸³ subsection (7)

²⁸⁴ subsection (5)

measures that might be necessary in certain policy areas (see clause 8(5) above). Scottish and Northern Ireland strategies may not include any proposed measures that are reserved or excepted matters.²⁸⁵

Clause 12 requires the devolved administrations in Scotland and in Wales to consult the Commission when preparing their strategies, and for the administrations to have regard to any advice given by the Commission.

The devolved administrations in Scotland and in Northern Ireland must also, when preparing their strategies, consult:

- (in the case of Scotland only), such local authorities or associations of local authorities as the administration thinks fit
- The Secretary of State
- Such children, or organisations working with or representing children, as the administration thinks fit
- Such other persons as the administration thinks fit

The January 2009 consultation paper included the statement that ‘action to meet [the child poverty targets] is subject to overall affordability and the fiscal position’.²⁸⁶ This was not referred to directly in the Government’s consultation summary, but some organisations felt that the inclusion of an ‘affordability clause’ in the legislation would weaken the commitment to tackling child poverty. Gingerbread, for example, commented:

...legislating to eradicate child poverty must mean that the Government is committing itself to make this investment. It is vital that the legislation does not subject the duty to meet the target to “*overall affordability and the fiscal position*”. This has potential to act as an escape clause for any future government, removing the primary value of the legislation in providing an effective accountability framework – one of the stated aims of the legislation – by giving legal force to the commitment to meet the target. Tackling child poverty must be seen as a necessity rather than an option.²⁸⁷

The CPAG also criticised these proposals as ‘weakening’ the legislation:²⁸⁸

Such a proviso would allow a future Government to renege on these commitments. Despite potential fiscal concerns, there is no policy question about affordability question since other similarly wealth countries perform much better than the UK. **The Government should exclude reference to ‘affordability’ in its draft legislation.**

In their submission to the Work and Pensions Committee ahead of the Bill’s publication the CPAG called for the reference to affordability to be removed.²⁸⁹

This clause (presumably to guard against unforeseen events such as a downturn) weakens the legislation by implying this is an ambition dependent on favourable circumstances, not a firm commitment.

²⁸⁵ Clauses 10(6) and 11(6)

²⁸⁶ *Ending child poverty: making it happen*, para 18

²⁸⁷ *Ending child poverty: making it happen – a response from Gingerbread*, para 1.5

²⁸⁸ Child Poverty Action Group, *Ending Child Poverty: making it happen: Response to the Child Poverty legislation consultation*, March 2009, p1/para 18

²⁸⁹ Work and Pensions Committee, Memoranda submitted for one-off evidence session on child poverty, *Memorandum submitted by Child Poverty Action Group (CP 14)*, May 2009

The Bill does not dilute the Secretary of State's duty (in clause 1) to ensure that the child poverty targets are met. It does however require that consideration be given to the wider economic and fiscal position in the preparation of child poverty strategies.

Clause 15 requires that, in preparing a UK strategy, the Secretary of State must take into account:

- Economic circumstances and in particular the likely impact of any measure on the economy
- Fiscal circumstances and in particular the likely impact of any measure on taxation, public spending and public borrowing

The Commission is also required to take these matters into account when considering any advice to be given to the Secretary of State or the devolved administrations in Scotland or Northern Ireland (see the previous section).

Clause 15(3) also requires that in preparing a Scottish strategy or a Northern Ireland strategy, the relevant administration must have regard to:

- The resources that are or may be available to them, and
- The effect of the implementation of the strategy on those resources

The Government's overview of the Bill states that this clause "will ensure that the proposed measures are realistic and sustainable"²⁹⁰ while the *Explanatory Notes* state:

The intention is to require the Commission and UK, Scottish and Northern Ireland Ministers to have regard to budgetary constraints and value for money in developing and advising on the strategies.²⁹¹

In an oral evidence session on 17 June 2009, the Chairman of the Work and Pensions Committee, Terry Rooney, raised the 'affordability clause' as had been proposed in the consultation paper, suggesting this "suggests a dilution of the commitment" which the Committee thought would be "quite an efficient get out clause" as "any future government can just say it's not affordable".²⁹² The Financial Secretary to the Treasury, Stephen Timms, suggested that the clause in the Bill did not allow this:²⁹³

As I say, there is no way out for the Government from the targets that are set, other than repealing the legislation [...]

Clause 15 describes what elements need to be in the Government's Child Poverty Strategy when it is published and, as you say, absolutely rightly, those matters do need to be addressed in the strategy but the targets are not subject to any sort of get-out. The targets are not subject to affordability. I am keen that I should make this absolutely clear to the Committee because I know there has been a bit of confusion about this, not least because we did consult on the possibility of having a Bill which did indeed have a get-out - if I can describe in that way - clause of that kind. We took the

²⁹⁰ Child Poverty Unit, *Child Poverty Bill: Overview*, June 2009, p5

²⁹¹ Bill 112-EN, para 83

²⁹² House of Commons, Minutes of Evidence Taken Before Work & Pensions Committee, Child Poverty, Uncorrected Transcript of Oral Evidence (to be published as HC 702-i), 17 June 2009, Q8 (Please note that this transcript is not yet an approved formal record of these proceedings); see also "Child poverty 'get out' claim", *BBC News*, 17 June 2009

²⁹³ *ibid.*, Q6 & Q79

decision on the basis of the consultation not to include such a provision in the Bill, so there is no affordability exclusion or let-out for the targets set out in this Bill.

However, the Committee's Chairman observed that:²⁹⁴

The target was there for 2010 and you have not met it because the strategy was not right and the resource was not put in. The resource was not put in to deliver the target. The target remains for 2020 but if the strategy is not there and resourced to deliver it then it will not happen [...] I think somebody needs to reflect on that particular phrase and whether it adds to what the Government is trying to achieve because I seriously think it is a drawback.

In response, Mr Timms said: "I am very happy to reflect on it, Chairman."²⁹⁵

6.3 Reports to Parliament

The consultation paper envisaged that the legislation would include a duty for the Government to report annually to Parliament outlining progress towards the child poverty targets, implementation and impact of the strategy, and progress on the outcomes of poor children and their families:

The report will, where possible, use information already gathered through other processes such as Public Service Agreements in England, in order to avoid duplication. However, the report must add value beyond existing structures. Bringing this information together will enable the Government, and stakeholders, to assess whether the UK is on track to achieve the goal of eradicating child poverty by 2020.²⁹⁶

Clauses 13-14

Clause 13 imposes a duty on the Secretary of State to produce and lay before Parliament annual reports. Reports must be produced each year on progress made-

- Towards meeting the child poverty targets; and
- In implementing the current UK strategy

A report must also be produced after the end of the 2020 'target year' on progress made in implementing the most recent UK strategy'.²⁹⁷

Reports must describe measures taken by the Secretary of State in accordance with the most recent UK strategy and by the devolved administrations as part of their strategies, and their effect on progress towards the child poverty targets and the aim of ensuring that as far as possible children do not suffer socio-economic disadvantage.²⁹⁸ If the most recent UK strategy has not been implemented in full, the report must explain why.²⁹⁹

Before preparing a report, the Secretary of State must consult the devolved administrations.³⁰⁰

²⁹⁴ *ibid.*, Q82 & Q87

²⁹⁵ *ibid.*

²⁹⁶ *Ending child poverty: making it happen*, para 73

²⁹⁷ subsection (3)

²⁹⁸ subsection (4)

²⁹⁹ subsection (5)

³⁰⁰ subsection (6)

Clause 14 provides that the report to be produced after the end of the target year under clause 13(3) must include a statement on whether the child poverty targets have been met. Subsection (2) requires that the statement must be based on statistics officially designated as 'National Statistics'. The *Explanatory Notes* state that in practice this means the Households Below Average Income (HBAI) data set derived from the Family Resources Survey (FRS) and (for persistent poverty) the new Understanding Society survey.³⁰¹

Subsection (4) requires that if any of the four child poverty targets have not been met, the report must give reasons for this.

6.4 Duties of local authorities in England

Chapter 4 of the consultation paper covered the role authorities and their 'delivery partners' in tackling child poverty in local communities.

The performance management framework for local authorities in England already enables local authorities to choose a number of local targets relating to children and young people, including a specific child poverty target. The consultation paper outlined the Local Area Agreement (LAA) process as follows:

Box 4.1: The current system for priority setting at the local level in England

The 2006 Local Government White Paper, *Strong and Prosperous Communities*, set out the Government's vision of local government providing stronger local leadership, raising local prosperity and providing public services that meet individuals' needs. In June 2008, as part of the Local Area Agreement (LAA) process, all 150 upper-tier local authorities across England negotiated and agreed with the Government up to 35 priority targets selected from the National Indicator Set. Alongside the LAA, local authorities set a range of statutory education and early years targets. Progress against the National Indicator Set will be assessed through the annual Comprehensive Area Assessment process. This is a new system and the first cycle of setting, developing and monitoring authorities has yet to be completed.

Within this national indicator set, child poverty is measured by looking at the number of children living in families on out of work benefits (indicator number NI 116). The Government is already committed to refining this indicator to ensure that low income working families are also included in this measure of poverty.

Where a local authority did not choose NI 116 as a target it can tackle poverty through a number of outcomes associated with child poverty. Although not having a specific 'child poverty' label, these indicators deal with a number of factors which are associated with child poverty and wider issues of worklessness and community deprivation. Among others, this cluster of indicators includes the take up of formal childcare by low income working families, the under 18 conception rate and the number of 16 to 17 year olds who are not in education, training or employment.

To support local authorities in delivering their LAA targets the Centre for Excellence and Outcomes for Children and Young People (C4EO) is developing tailored support for local authorities covering local approaches to tackling child poverty. This will be available from Spring 2009, providing support from within the sector, for the sector.³⁰²

³⁰¹ Bill 112-EN, para 80

³⁰² *Ending child poverty: making it happen*, p41

The consultation paper noted however that only 45 local authorities in England had included the child poverty indicator in their LAA targets. Further information on the LAA targets is available at the Improvement and Development Agency (IDeA) website.³⁰³

The consultation paper asked for views on whether the existing local performance framework was sufficient to ensure that all local areas took the necessary action and, if not, how requirements should be strengthened. Three options were put forward:

- Option 1: Introducing a duty on local authorities to promote action to tackle child poverty
- Option 2: Introducing a duty on all local public bodies to 'have regard to' child poverty when exercising their functions
- Option 3: Requiring all local authorities to set a specific local child poverty target

The Government envisaged that the first two options (or a combination of them) could be incorporated within existing statutory processes. If it was felt that a duty to set a specific local child poverty target was needed, it asked for views on how targets should be negotiated and set.

The *Consultation report* states that there were mixed views on whether the existing local performance framework was sufficient to tackle child poverty, with 39 per cent of respondents agreeing and 29 per cent disagreeing:

Most respondents believed that the framework already had a number of indicators relating to child poverty which would be satisfactory, whilst others said the framework would need to be developed and enhanced in order to reflect the new requirements. Some were concerned about the reliability of data, and felt that the level of information currently available was limited and sometimes too out of date to be a true reflection of the current position.³⁰⁴

Views on the desirability of options 1 and 2 were also mixed, with 41 per cent of respondents agreeing that a new duty on local authorities and 'delivery partners' should be introduced in addition to the existing local performance framework to incentivise more local authorities to prioritise action to tackle child poverty, and 36 per cent disagreeing. Of the 59 responses to the question on what form the new duty should take, there was no clear majority in favour of any particular option or combination of options:

There were different opinions between respondents about the choice of options. Some agreed with option 1, and thought this was the stronger option as it recognised the size and importance of the issue. Others preferred option 2 and said this would compliment the approach afforded by the use of national indicator sets within the LLAs and CAA.

22 (37%) said it was essential that the duty was on all partners and not simply local authorities as tackling child poverty required a multi-faceted and multi-partnership approach.

18 (30%) supported option 2 to 'introduce a new duty on all public bodies for child poverty'. They mentioned it was important for the Government to recognise that the complexities on child poverty could not be tackled by local authorities alone, and the duty must be shared equally with partners. They were of the opinion that option 1 had

³⁰³ [LAAs 2008 \(including 2009 refresh\)](#)

³⁰⁴ *Child Poverty Bill Consultation Report*, p24

the potential to limit the impact that would be felt by all agencies locally sharing responsibility for tackling child poverty.

16 (27%) supported option 1 to 'introduce a duty on local authorities to tackle child poverty'. Respondents believed local authorities were key players in developing local drivers to end child poverty through their leadership roles in local strategic partnerships and children's trusts. They were of the opinion that option 2 was unlikely to be effective and was more likely to increase the administration burden than result in any real outcomes.

14 (24%) said a combination of both options 1 and 2 should be introduced to give an incentive to local authorities and their partners to prioritise action to reduce child poverty. Respondents mentioned option 1 would put a duty on them to take a strong lead, and option 2 would ensure that the other local public bodies recognised the local authority lead and worked with them.³⁰⁵

Issues raised by organisations included the need for clear and effective partnerships to tackle child poverty at local level, and the danger of increasing the bureaucratic burden on local authorities.

The form of the question in the consultation paper about option 3 led to some confusion for respondents, but the majority (52 per cent) felt that local authorities should not be required to have a specific child poverty target.

As far as individual responses are concerned, the Local Government Association (LGA), while sharing the Government's commitment to tackling child poverty, felt that existing requirements in the *Children Act* and in the performance framework already provided 'drivers for action' and therefore opposed new duties or mandatory targets for local authorities:

The LGA does not support the introduction of additional duties or mandatory targets for councils or local public services. This is not because it disputes the importance of tackling child poverty or the fundamental need to work with other public services and third sector partners to improve outcomes for children. It believes that sufficient duties are already placed on councils and their partners through children's trusts and the children and young people's plan and the requirements of the performance framework.³⁰⁶

London Councils, which represents London's 33 local authorities, emphasised that it was important to recognise the constraints imposed by national benefit rules, including Housing Benefit regulations and the '16-hour rule', and the need to tailor welfare to work and childcare programmes to local needs. It also believed that the existing Local Area Agreement framework was sufficient to monitor progression and performance around child poverty at a local level:

Recently created duties to co-operate at local level have already created a statutory framework capable of carrying forward the child poverty agenda. A further duty would only increase the incentives to act if accompanied by specific incentives that central government can offer. Without this related support there is a risk that the effort put into preparing for new duties could divert attention from accelerating current action on child poverty.

To avoid this risk London Councils propose that if any such statutory duty is considered then it should be accompanied by the introduction of flexibilities for local

³⁰⁵ *Ibid.* pp25-26

³⁰⁶ [LGA submission to the consultation on the Child Poverty Bill](#), 11 March 2009

authorities in housing benefit, worklessness, childcare and early years provision as described above.

Additional targets will not accelerate the reduction of child poverty. As explained above the LAA regime offers sufficient clarity with which to drive forward the child poverty agenda and hold all public services to account.³⁰⁷

Part 2 of the Bill requires local authorities and ‘delivery partners’ to work together to tackle child poverty and set out the contributions that they will make in their local areas. Specifically, the Bill introduces:

- A duty on local authorities and named partners to co-operate to reduce, and mitigate the effects of, child poverty in their area
- A duty to carry out a ‘child poverty needs assessment’
- A duty to produce a joint local child poverty strategy. The local child poverty strategy will set out the contribution that each of the partners are making to tackling child poverty in the area
- A duty for local authorities to take their duty to reduce, and mitigate the effects of, child poverty into account when preparing or revising their ‘Sustainable Communities Strategy’

Par 2 of the Bill only applies to local authority areas in England. The consultation paper gave some information on developments in Scotland, Wales and Northern Ireland regarding the role of local authorities in tackling child poverty.³⁰⁸ It stated however that ‘it is for each Administration to act as it sees fit on the devolved issues within its jurisdiction’.³⁰⁹

Clauses 18-24

Clause 18 sets out which local authorities are ‘responsible local authorities’ for the purposes of the new duties under Part 2 of the Bill. They are upper-tier authorities or those with upper-tier responsibilities, as well as London boroughs, the City of London and the Council of the Isles of Scilly.

Clause 19 specifies which organisations are ‘partner authorities’ for an area covered by a responsible local authority. They include:

- District councils (where there is a county council)
- Police authorities and chief police officers
- Integrated Transport Authorities and Transport for London
- Strategic Health Authorities and Primary Care Trusts
- Youth offending teams
- Jobcentre Plus (in relation to functions under section 2 of the *Employment and Training Act 1973*)

³⁰⁷ [Child poverty consultation – London Councils’ response](#)

³⁰⁸ *Ending child poverty: making it happen*, paras 100-102

³⁰⁹ *Ibid.* para 99

- The local Probation Service

The Secretary of State may amend the list of organisations by order (subject to the negative procedure), but before doing so he must consult such representatives of local government and such other persons as he thinks fit.³¹⁰

Clause 20 requires each responsible local authority to cooperate with its partner authorities and such other persons or bodies as it thinks fit to reduce and mitigate the effects of child poverty in its area. Partner authorities (but not other persons or bodies) have a duty to cooperate with the responsible local authority.³¹¹ Subsection (4) requires responsible local authorities and partner authorities to have regard to guidance issued by the Secretary of State. The *Explanatory Notes* state:

This guidance is intended to cover the arrangements that responsible local authorities should put in place. It is expected that responsible local authorities and partner authorities will use existing partnerships, such as Local Strategic Partnerships, rather than setting up new arrangements.³¹²

Subsections (5) and (6) give responsible local authorities and partner authorities powers to provide staff, goods, services, accommodation or other resources, and to pool budgets.

Clause 21 requires each responsible local authority, as part of the arrangements to cooperate under clause 20, to produce an assessment of the needs of children living in poverty in its area. The Secretary of State may make regulations (subject to the negative procedure) about 'local child poverty needs assessments'. The regulations may in particular cover:³¹³

- Matters that must be considered in a local child poverty needs assessment
- When and how an assessment must be published
- Keeping an assessment under review
- When and how an assessment must be revised
- Consultation to be carried out during the preparation or revision of an assessment
- Other steps required or permitted to be taken in connection with the preparation or revision of an assessment

The *Explanatory Notes* state:

The intention is that the regulations will set out those matters which a responsible local authority must consider in its child poverty needs assessment, while giving the authority flexibility to consider other matters that it considers appropriate.³¹⁴

Responsible local authorities and partner authorities must have regard to any guidance issued by the Secretary of State about how they should exercise their functions under clause 21.³¹⁵

³¹⁰ Subsection (7)

³¹¹ Subsection (3)

³¹² Bill 112-EN, para 94

³¹³ Subsection (3)

³¹⁴ Bill 112-EN, para 97

Clause 22 requires that cooperation between responsible local authorities and partner authorities includes the preparation of a ‘joint child poverty strategy’ for the area. This must set out the measures the local authority and partner authorities propose to take to reduce, and mitigate the effects of, child poverty in the area.³¹⁶ Measures must include matters identified in the local child poverty needs assessment, and include other matters the authorities consider relevant to tackling child poverty in their area.

Subsection (8) requires a responsible local authority and its partner authorities to have regard to the joint child poverty strategy when exercising their functions.

The responsible local authority may modify the joint strategy at any time. In preparing or modifying a strategy, a responsible local authority must consult:³¹⁷

- Such children, or organisations working with or representing children, as it thinks fit
- Such other persons or bodies as it thinks fit

The responsible local authority and its partners must have regard to any guidance issued by the Secretary of State in exercising their functions under clause 22.³¹⁸

Part 1 of the *Local Government Act 2000* introduced a new discretionary power for principal local authorities in England and Wales to do anything they consider likely to promote or improve the economic, social or environmental well-being of their area. The power came into force on 18 October 2000. Guidance on the use of the power is available at the Department of Communities and Local Government website.³¹⁹ A research summary of an evaluation of the use of the well-being power so far was published by the Government in November 2008³²⁰, together with a document on practical uses of the power.³²¹ John Healey, the Minister for Local Government, made a speech at the time encouraging councils to use the power in imaginative ways.³²²

Clause 23 amends section 4 of the *Local Government Act 2000*, which relates to the preparation of strategies for promoting well-being. The effect is to require local authorities in England to take account of their local child poverty needs assessment, joint child poverty strategy and other arrangements they have made to tackle child poverty in their area when for preparing a ‘Sustainable Community Strategy’ setting out the long term vision for the economic, social and environmental well-being of their area. The *Explanatory Notes* state that the intention is to ‘ensure that measures to reduce, and mitigate the effects of, child poverty are reflected in the wider planning of local authorities’.³²³

Clause 24 defines ‘child poverty’ for the purposes of Part 2 of the Bill. A child is considered to be in poverty if he or she experiences socio-economic disadvantage. Subsection (2), without limiting the meaning of ‘socio-economic disadvantage’, makes it clear that any child in poverty as defined under clauses 2-4 is to be regarded as experiencing socio-economic disadvantage.

³¹⁵ Subsection (4)

³¹⁶ Subsection (2)

³¹⁷ Subsection (6)

³¹⁸ Subsection (7)

³¹⁹ [Power to promote or improve economic, social or environmental well-being](#), 14 May 2000

³²⁰ [Evaluation of the take-up and use of the Well-Being Power: Research Summary](#)

³²¹ [Practical use of the well-being power](#)

³²² DCLG press release, [Healey- wellbeing power is forgotten tool in tough economic times](#), 17 November 2008

³²³ Bill 112-EN, para 106

A number of respondents to the consultation paper mentioned the problem of the lack of local data on child poverty that was consistent with the definitions used by the Government.

At the time of writing there has been very little comment about Part 2 of the Bill. London Councils, while welcoming the recognition that local authorities have a 'pivotal role in coordinating partner agencies, as well as developing and delivering local solutions to tackle child poverty in their area', has warned that the new arrangements will only prove successful if local authorities are given sufficient resources to meet the new duties placed on them, and additional freedoms to respond more effectively to child poverty at a local level.³²⁴

³²⁴ London Councils press release, [Greater freedoms the key to Child Poverty Bill success – London Councils](#), 15 June 2009

Appendix 1: Poverty statistics methodology & sources

A detailed explanation of poverty statistics methodology and concepts can be found in *Poverty: Measures and Targets* (Library Research Paper RP04/23), along with a detailed study of the 2001/02 data. However, the approach to measuring poverty has changed slightly since 2004 when that paper was published.³²⁵

There is no official definition of poverty, but the standard *de facto* official definition of low income poverty is living in a household with an **equivalised net household income** that is **below 60% of the median** household income.

This is explained in more detail below. The Bill would enshrine much of current practices for measuring poverty into legislation, and future methodological changes being could be made via secondary legislation.

Households Below Average Income (HBAI)

The principal source of UK poverty statistics is the annual Family Resources Survey (FRS), the results of which are analysed and presented by the Department of Work and Pensions in its annual *Households Below Average Income* (HBAI) report. This report gives breakdowns showing the numbers and proportions of people living in low income households, on the basis of various relative and 'absolute' income thresholds of the median household income (and some headline figures based on the mean household income), for income measured either before or after housing costs. HBAI results are normally released around a year after the financial year they related to: results for 2007/08 were published at the beginning of May 2009.

Definition of 'household' & 'child'

HBAI defines a 'dependent child' as "an individual aged under 16", and also includes those aged 16-19 -years old which are: unmarried, not in a Civil Partnership, nor living with a partner; living with parents; and in "full-time non-advanced education or in unwaged government training."

The HBAI uses the Family Resources Survey (FRS) definition of a household as "a single person or group of people living at the same address as their only or main residence, who either share one meal a day together or share the living accommodation (i.e. living room)."³²⁶

The FRS covers private households, and so excludes those in institutions (e.g. nursing homes, halls of residence, barracks or prisons) and homeless people. Also, households with a married adult with an absent spouse are excluded from the HBAI analysis of the FRS.³²⁷

Net income & housing costs

The income measure used in HBAI is disposable income (net of all taxes). This includes net earnings, profit/loss from self-employment (after income tax, national insurance and occupational pension contributions), all social security benefits and credits and pension income, and some other income sources.

HBAI presents poverty statistics based on measures of income either before or after housing costs (BHC or AHC) have been deducted. Housing costs in HBAI include.³²⁸

³²⁵ DWP, [HBAI 2007/08](#) contains detail of methodology (appendices 1 & 2)

³²⁶ *ibid.*, p178

³²⁷ *ibid.*, p184

- rent (gross of housing benefit);
- water rates, community water charges and council water charges;
- mortgage interest payments (net of tax relief);
- structural insurance premiums (for owner occupiers);
- ground rent and service charges.

Both measures have advantages and disadvantages, but the BHC has received more attention in recent years. The inclusion or otherwise of housing costs can have a significant effect, as Karen Buck MP noted in a Westminster Hall debate on urban deprivation:³²⁹

Housing costs have a massive impact on disposable income. Any measures that exclude property issues fail to reflect poverty levels [...] In many cases, households in London appear above the median solely because of differences in housing benefit, yet that tells us nothing at all about their income or quality of life.

In general terms AHC income poverty will exceed BHC income poverty because housing costs tend to account for a greater share of low income households' expenditure than that of higher income households.

Equivalisation

'Equivalised' income means income adjusted to account for variations in household size and composition, to produce a better measure of standard of living than cash income alone. This works on the basis that a single person on a given income is likely to enjoy a higher standard of living than a family of four receiving the same income.

HBAI income figures are therefore not cash income figures: they represent the equivalent income for a household made up of two adults with no children. A particular level of equivalised income equates to different actual income levels, depending on the composition of a household.

Since the 2005/06 edition of HBAI, OECD equivalisation scales - the means by which households' cash incomes are converted into the equivalent of a couple with no children - have been used, driven by the 2004 Comprehensive Spending Review outcomes (see

³²⁸ DWP, [HBAI 2007/08](#), appendix 1, p176. In Northern Ireland water provision is tax-funded and so is included in the Before Housing Costs measure. Negative BHC household incomes are reset to zero, although negative AHC incomes are possible.

³²⁹ HC Deb 17 December 2002 c195WH

[Appendix 2](#)). Different scales apply for the measures of income before and after housing costs have been deducted.

The table below shows the weekly income that represents the poverty threshold before and after housing costs for a selection of family types. In 2007/08 the median equivalised household income before housing costs was £393 a week before housing costs, resulting in a 60% of median poverty threshold of £236 a week: this is the actual income threshold for a couple (working age or pensioner) without children. The same 60% threshold would equate to £158 a week for a single person without children, but £361 a week for a couple with two children (one aged under 14 and one aged 14 or over).

Table 5

UK median income & poverty lines (60% of median), 2007/08

£ per week

	relative income		absolute income (1998/99) (a)	
	BHC	AHC	BHC	AHC
Equivalised median income (b)	393	332	338	268
Childless couple (b)	236	199	203	161
Single individual	158	116	136	93
Couple, one child (aged <14)	283	239	243	193
Couple, two children (one aged <14, and one 14+)	361	323	310	260
Lone parent, one child (aged <14)	205	155	176	125
Lone parent, two children (one aged <14, and one 14+)	283	239	243	193
Pensioner couple (same as working age couple)	236	199	203	161

Notes: (a) 1998/99 threshold (held constant in real terms) is for Great Britain, rather than UK; (b) reference household for equivalised income
Sources: DWP, *HBAI 2006/07*, tables 2.1ts, 2.4ts, Appendix 2

The table also shows the 'absolute' low income thresholds, using 60% of the 1998/99 median threshold held constant in real terms, throughout the period. For all the household types shown, this is lower than the relative income threshold: before housing costs, £203 a week for a couple with no children, £136 a week for a single person without children, and £310 a week for a couple with two children (one aged under 14 and one aged 14 or over).

The median & the mean

All members of a household are assumed to benefit equally from total household income. Individuals' net 'equivalised' household income are calculated, and then ranked in order of these incomes.

HBAI presents statistics primarily based on various thresholds of median income (generally 50%, 60% and 70%) either before or after housing costs. In the past, the median and mean were used throughout HBAI reports, but the median is now favoured, with only some headline figures given for the mean.

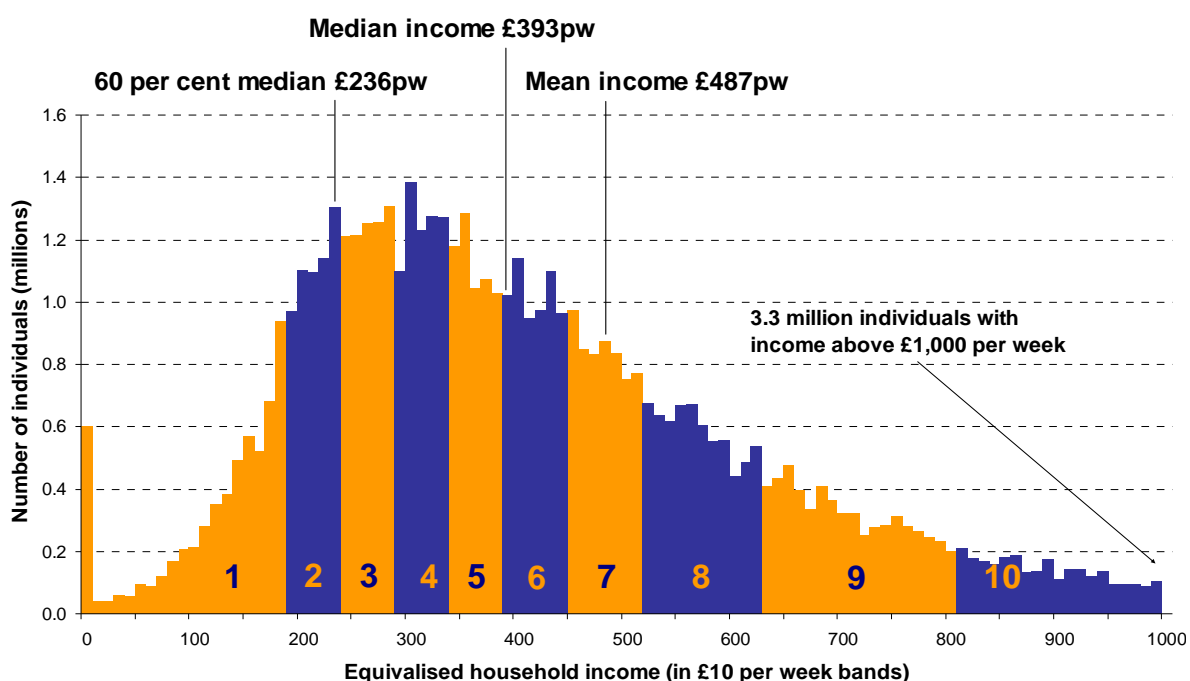
Although the choice of a measure based on the mean or the median is arbitrary, the median has gained preference in part because it is less vulnerable to uncertainty about high (and low) incomes as measured in surveys and changes in incomes at the upper end of the income distribution.

The median household represents the mid-point of the household income distribution: 50% of households have an income higher than it, and 50% an income below it. The mean is calculated by adding all households' income together, then dividing them by the number of households (i.e. a common average). This makes the mean sensitive to very high incomes, while the median is more influenced by the order of individuals' incomes within the income distribution than their magnitude.

The threshold of 60% of the median is a standard measure used in international poverty comparisons.

Chart 8 shows the UK household equivalised income (BHC) distribution for 2007/08. It shows the characteristic 'hump' of incomes distributions at lower earnings levels, with a 'long tail' of those with high incomes. The mean exceeds the median because a relatively small number of very high earners 'drag' the mean up the income distribution (in statistical terms, this is a 'positively skewed' distribution).

Chart 8: UK household income (BHC) distribution, 2007/08



[Source: DWP, *Households Below Average Income 2007/08*, figure 2.1]

Relative & absolute low income measures

There are two broad approaches to measuring low income for a given threshold.

The most straightforward is 'relative' low income. A relative low income time series uses a given threshold of median or mean income (generally 60% of median income in this paper) in each year (also referred to as 'contemporary income'). The threshold therefore varies from year to year, depending on the income distribution (and so the median) in each year: relative low income poverty in 2007/08 refers to the numbers and/or proportions of people below a given income threshold of 2007/08 income. As such, this can be seen as a 'moving target'. In times of generally rising incomes, income thresholds based on contemporary income are also likely to rise. When incomes are falling, for example during a recession, the opposite will be true.

An alternative approach is to use thresholds that are fixed over time. In HBAI, this is termed 'absolute' low income, but it should be noted that this is distinct from concepts of absolute poverty that are defined in terms of minimum or subsistence requirements, such as those commonly used in the US. The fixed (or 'absolute') low income approach would use a threshold from a single year held constant over the period (adjusted for inflation). Absolute low income poverty therefore refers to the numbers and/or proportions of people in a given year below an income threshold **as it stood in an earlier year**, allowing for inflation. The 2010/11 child poverty target uses 1998/99 as the baseline year (although any base year could be used). Therefore, absolute low income poverty in 2007/08 would be based on the 60% of 1998/99 median income threshold, held constant in real terms.

Persistent poverty

Persistent low income poverty offers a different perspective.

It looks at how the composition of those living in low income poverty (beneath a given threshold) changes over time, and how many years they spend there. The current practice is to define 'persistence' as 'being in a household below a given threshold for at least three out of the last four years'. As a group, pensioners may find themselves on low incomes for a number of years, while unemployed persons may be on low incomes for only a short period.

One could argue that if low incomes are more transitory, and the composition of this group changes rapidly, then being on low income in any given year can be considered less of a problem. Recent analysis shows a clear and positive relationship between the recurrence of low income and the intensity of deprivation: families who spent longer periods living in low income experienced more severe deprivation.³³⁰

Although published alongside the relative and absolute low income data in HBAI, persistent low income data are derived from the *British Household Panel Survey* (BHPS), rather than the Family Resources Survey. The BHPS is a longitudinal survey that gives the position in the income distribution of a representative sample of individuals in Great Britain in each year. It follows the same group of households from year to year, rather than looking at a different sample of households in each year, as the FRS does. As noted in the consultation paper for the Bill the BHPS is to be replaced with a new longitudinal survey, *Understanding Society* (www.understandingsociety.org.uk), starting in 2009.

HBAI presents analysis of persistent poverty on four bases: 60% and 70% of median income, and an alternative approach using time spent in the bottom 20% and 30% of the income distribution, in all cases for income measured before or after housing costs. BHPS analysis for the calendar year ending in a financial year is also published separately in advance of HBAI by the DWP in *Low Income Dynamics*.

However, the definition of income in BHPS differs from that used in HBAI. The BHPS analysis does not deduct local taxes, while some incomes are measured gross rather than net (as in HBAI), while income tax and National Insurance contributions are imputed. Data are also adjusted in an "attempt to correct for biases arising from sample attrition that are related to factors observed within the data, such as non-respondents, unequal selection and accommodation type, it is possible that some biases are related to factors which are uncontrolled."³³¹ Also, the McClements equivalisation scale is used rather than the modified OECD scale (which is used in HBAI), and the BHPS covers Great Britain only, rather than the whole of the UK, although the new *Understanding Society* survey will have UK coverage.

³³⁰ DWP, *Measuring child poverty: Final conclusions*, December 2003, pp16-17

³³¹ DWP, *HBAI 2007/08*, p188

Appendix 2: Changes to methodology for the 2010/11 target

This section summarises methodological changes made in the move from the 2004/05 relative low income target to the 2010/11 target. These include: the use of a **before housing costs only measure**, including **Northern Ireland** (to form a UK rather than Great Britain measure), and the change in the **equivalence scale** used to adjust household incomes. While the new approach to measuring child poverty for the 2010/11 target was broadly welcomed, there were some criticisms.

Housing costs

The 2004/05 target did not specify whether income should be measured before or after housing costs (BHC/AHC). Although the Government failed to reach the target on both measures, it came closer on the BHC measure.

The decision to measure all three indicators for the 2010/11 target on a BHC basis prompted some criticism. As the IFS noted:³³²

By moving to a relative child poverty measure based solely on BHC incomes, fewer children have to be moved out of poverty for the government's targets to be met. This may make achieving the targets less expensive than had the focus on incomes measured AHC been maintained.

The Government has stated that after housing costs measures of poverty would continued to be monitored as part of its broader poverty strategy, and also (as noted above) the material deprivation indicator, with its slightly higher threshold and housing related deprivation questions, would help take housing into account.³³³

The Work & Pensions Committee recommended that the AHC measure be used in its April 2008 report, but the Government did not accept this recommendation.³³⁴

From a Great Britain to a UK-wide measure

The 2004/05 child poverty target covered Great Britain only, as data for Northern Ireland were not available prior to 2002/03, but the Government had stated a preference for a UK-wide target for 2010/11. Since 2002/03, the *Households Below Average Income* (HBAI) report has included analyses of poverty in Northern Ireland, and for the UK as a whole, while continuing to focus on Great Britain.

The 2004/05 *HBAI* examined three years of Northern Ireland data (2002/03-2004/05).³³⁵ It found no significant differences in the proportion of children in poverty on GB and UK measures, although there were 100,000 more children in poverty in the UK (using UK-wide income thresholds) than in Great Britain (using GB thresholds).³³⁶ There were practical issues in constructing UK-wide 1998/99 baselines for the 2010/11 target measure, as the *HBAI* noted for the relative income indicator would require "a best estimate" of the number of children in poverty in the UK in 1998/99, which it believed could be provided "within a reasonable degree of accuracy".³³⁷

³³² "Poverty & Inequality in Britain: 2004", *IFS Commentary* 96, June 2004, p3

³³³ DWP, *Public Service Agreement for 2005-2008: Technical Note*, p5

³³⁴ Work and Pensions Committee, *The best start in life? Alleviating deprivation, improving social mobility, and eradicating child poverty* (2nd report of session 2007-08), March 2008, para 27, and *Government Response* (2nd special report of session 2007-08), June 2008, paras 6-9

³³⁵ DWP, *HBAI 2004/05*, appendix 4;

³³⁶ *ibid.*, pp225-226

³³⁷ *ibid.*, p220

New equivalence scale

As noted above, income poverty statistics are based on an equivalised measure of household income, adjusting income to take into account family size and composition.

The 2004/05 target and *HBAI* reports generally to that point used a different scale to that common in international practice, such as in the EU. From the 2005/06 *HBAI* report, household income was equivalised using the “modified Organisation for Economic Co-operation and Development (OECD) equivalence scale”. The 2004/05 *HBAI* states that the OECD scales “give more weight to the first adult and less to second and subsequent adults” than the McClements scales, such that single adult households have “a smaller equivalised income relative to couples”.³³⁸ As an IFS report noted, the new OECD scale gives “greater weight than previously to the needs of very young children and children in lone-parent households.”³³⁹

The 2010/11 target will also be based on income equivalised on OECD scale, while a new ‘companion scale’ was produced to enable after housing costs measures to continue on the new basis, accounting for economies of scale in housing costs for couple households over single households.³⁴⁰

An analysis in *HBAI* compared the proportion of children in poverty using the two different measures. The table below shows proportions and numbers of children (where available) in poverty in key years on both measures:

Table 6

Child poverty under McClements & modified OECD equivalence scales

% and numbers (million)

	BHC (%)		BHC (m)		AHC (%)		AHC (m)	
	McC	OECD	McC	OECD	McC	OECD	McC	OECD
1979	12%	13%	-	-	14%	15%	-	-
1998/9	24%	26%	3.1	3.3	33%	34%	4.1	4.3
2004/05	19%	21%	2.4	2.7	27%	28%	3.4	3.6

Source: DWP, *HBAI 2004/05*, pp53-54, table H2 & appendix tables A3 1.2 & A3 1.5

It found this to be around two percentage points (rounded) higher on the OECD scale in both 1998/99 and 2004/05 than on the McClements scale.³⁴¹ For numbers of children in poverty, the 1998/99 baseline year saw an increase of 200,000 (BHC) while there were around 300,000 more children in poverty in 2004/05 on the new basis (all based on rounded data). As the IFS noted in a March 2006 report:³⁴²

[...] the proportionate decline in child poverty since 1998/99 is slightly smaller using the new equivalence scales, so that had the government used the new equivalence scales this year, the target would have been missed by even more (over 200,000). As a result, child poverty now has to fall by about 1 million between 2004/05 and 2010/11 in order to meet the target – over one-and-a-half times greater than the 600,000 fall between 1998/99 and 2004/05 (using the Modified OECD scale).

³³⁸ *ibid.*, p207

³³⁹ Brewer et al. “Poverty & Inequality in Britain: 2004”, *IFS Commentary* 96, June 2004, p3

³⁴⁰ This “broadly preserves the relationship between key BHC and AHC results from the McClements scales”, (DWP, *HBAI 2004/05*, p207, and www.dwp.gov.uk/asd/hbai/nsfr_newequiv.pdf).

³⁴¹ On income AHC the difference was 1 percentage point for both years (see *HBAI 2004/05*, table A3 1.2).

³⁴² IFS, *Poverty and Inequality in Britain: 2006*; p56

Appendix 3: Child poverty in European countries, 1996-2007

The table below gives the underlying data for the analysis in part 5.2. Children are defined as being aged under 16. The table uses a threshold of 60% of national median household equivalised disposable income, where income is measured after social transfers (taxes and benefits) have been taken into account. This data is taken from the [Eurostat database](#), and metadata for this dataset are also available from the [Eurostat website](#)

Table 7

European Countries: Child poverty rates, 1996-2007

At risk of poverty rates, %

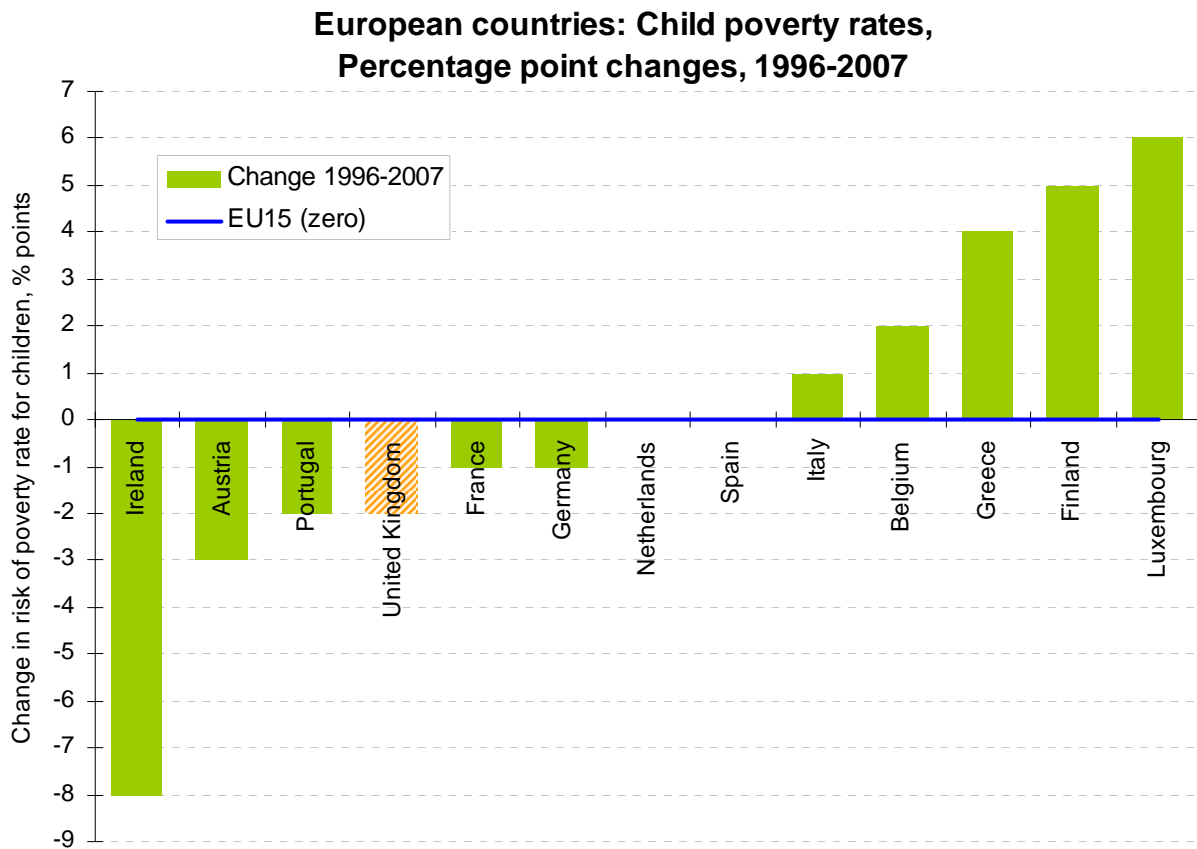
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Changes (% points)		
													1996-2007	2001-2007	2005-2007
Austria	18	15	15	14	12	13	..	16	15	15	15	15	-3	2	0
Belgium	15	14	13	12	11	12	..	16	15	18	15	17	2	5	-1
Bulgaria	..	..	..	..	19	19	15	18	22	18	26	..	..	..	..
Croatia	..	..	..	..	..	..	..	16	..	..	..	..	..	..	..
Cyprus	..	..	..	..	..	..	..	11	..	12	11	12	..	..	0
Czech Republic	..	..	..	..	..	12	..	..	..	18	17	16	..	4	-2
Denmark	..	6	..	7	..	7	..	9	9	10	10	9	..	2	-1
Estonia	..	..	..	..	21	19	18	20	23	21	20	17	..	-2	-4
Finland	5	5	5	7	6	9	10	10	10	10	9	10	5	1	0
France	16	16	16	17	18	16	16	15	14	14	13	15	-1	-1	1
Germany	15	15	13	13	13	14	..	..	..	11	12	14	-1	0	3
Greece	19	18	17	17	19	18	..	21	20	19	22	23	4	5	4
Hungary	..	..	..	..	17	15	13	17	..	20	25	19	..	4	-1
Iceland	..	..	..	..	..	..	..	..	12	10	12	12	..	..	2
Ireland	27	25	23	21	22	26	..	20	22	22	21	19	-8	-7	-3
Italy	24	23	21	22	25	25	..	..	25	23	24	25	1	0	2
Latvia	..	..	..	..	21	..	..	..	..	20	25	20	..	..	0
Lithuania	..	..	..	..	18	20	..	..	..	27	24	22	..	2	-5
Luxembourg	14	16	20	19	18	18	..	16	19	21	19	20	6	2	-1
Malta	..	..	..	..	21	..	..	..	..	18	18	18	..	..	0
Netherlands	14	13	14	14	17	17	17	18	..	16	14	14	0	-3	-2
Norway	..	..	..	..	..	..	..	8	8	9	9	11	..	..	2
Poland	..	..	..	..	22	22	..	..	..	29	26	24	..	2	-5
Portugal	23	25	26	26	26	27	..	..	24	23	20	21	-2	-6	-2
Romania	..	..	..	..	23	22	24	22	25	25	23	33	..	11	8
Slovakia	..	..	..	..	..	..	..	..	..	18	17	16	..	..	-2
Slovenia	..	..	..	..	9	9	7	9	..	12	12	12	..	3	0
Spain	23	26	24	25	25	26	21	19	24	24	24	23	0	-3	-1
Sweden	..	7	..	7	..	7	10	..	11	8	14	11	..	4	3
Turkey	..	..	..	..	..	..	32	34	..	..	..	..	..	..	..
United Kingdom	25	27	29	29	27	23	23	22	..	23	24	23	-2	0	0
EU15	19	19	19	19	20	20	..	19	20	18	18	19	0	-1	1
EU25	..	..	19	19	20	20	..	19	20	19	19	19	..	-1	0
EU27	..	..	..	..	..	..	..	..	..	19	19	..	..	..	..

Notes: .. = not available

Source: Eurostat, OMC indicators: Secondary indicators, Eurostat database, accessed 17 June 2009

The table below shows changes between 1996 and 2007 for the 13 European countries for which data are available back to 1996:

Figure 1



The greatest reduction in child poverty over those eleven years was seen in Ireland (eight percentage points lower), followed by Austria (three percentage points). The UK and Portugal saw the rate fall by two percentage points, although in both countries that rate had fallen by 2007 from a higher peak during the period (in the UK's case from 29% in both 1998 and 1999). The child poverty rate across the whole EU15 was unchanged between 1996 and 2007. Child poverty rates increased the most in Luxembourg (six percentage points), Finland (five percentage points) and Greece (four percentage points).

On an alternative measure, based on a set of 43 indicators across seven 'domains' of child well-being, the UK ranked 24 out of 29 European countries, with the Netherlands having the highest levels of child well-being, followed by Norway and Sweden. The five countries ranking below the UK were: Romania, Bulgaria, Latvia, Lithuania and Malta.³⁴³

³⁴³ "New child wellbeing league table: UK in 24th place out of 29 European countries", CPAG press release, 21 April 2009, and CPAG, *Child wellbeing and child poverty: Where the UK stands in the European table*, Spring 2009