



Progress towards the 2010/11 child poverty target, the 2020 target & the *Child Poverty Bill*

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In 1999 the Government set targets to reduce 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.

The **2004/05 target** was missed (see [SN/EP/4759](#) for details). A new composite measure of three indicators was then adopted, one of which constitutes the national target of halving child poverty by **2010/11**.

The 2007/08 poverty statistics released in May 2009 show that on this main target measure child poverty stood at 2.9 million having not changed since 2006/07, after having increased by 100,000 in each of the two years previously. Another indicator focusing on material deprivation saw a rise of 200,000, following a 100,000 reduction in 2006/07.

The 2009 Budget saw an additional increase of child tax credit of £20 per child per year from April 2010, the final year for judging this target. The Institute for Fiscal Studies (IFS) had previously suggested that the Government was looking likely to miss the **2010/11 target** without additional expenditure of £4.2 billion in 2010. The 2009 Budget outcome was seen as insufficient, by the IFS, the Treasury Committee and several NGOs. The IFS reaffirmed its projection that the 2010/11 target would be missed by around 600,000 children.

The Prime Minister committed to enshrine the Government's **2020 target** in law in his September 2008 Labour conference speech. The *Child Poverty Bill* featured in the December 2008 Queen's Speech, and its content was consulted on (a summary of consultation responses has been published: see [DCSF child poverty page](#)).

The First Reading of the *Child Poverty Bill* was on 11 June 2009. Its second reading was provisionally scheduled for 29 June, but no date is currently available. The Library's Research Paper [Child Poverty Bill \[Bill No 112 of 2008-09\]](#) supersedes this note. For details of the Bill see the Library's [bill progress page](#) (intranet only), the [Public Bills before Parliament](#) page, or contact the author (x2042).

For background and methodology on poverty statistics see *Poverty: Measures and Targets Library Research Paper* (RP04/23). The latest poverty statistics (2007/08) are on the DWP's [Households Below Average Income page](#), with region/country level poverty statistics at [SN/EP/4627](#). Income inequality statistics are examined in [SN/EP/3870](#).

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1 The 2010/11 target

The standard definition of income poverty is **living in a household with an equivalised household income that is below 60% of the median household income**. For these purposes income is ‘equivalised’, adjusted to account for variations in household size and composition, to produce a better measure of standard of living than income alone.

The 2004/05 target of reducing child poverty by a quarter was a step towards reducing it by a half by 2010/11, before ‘eradicating’ it by 2020. This was missed (see [SN/EP/4759](#)). Following consultation, a new measure of child poverty was adopted for the 2010/11 target.¹ The 60% of median benchmark was retained in the new measure, although with some methodological changes (see part 4), within a measure based on a composite of three indicators:

¹ This was outlined in part VI(C) of the Library Research Paper, see also DWP, [Measuring child poverty consultation: Final conclusions](#), 18 Dec 2003

- **Relative low income:** the number of children living below 60% of median income in each year;
- **Absolute low income:** as above, but judged against the 60% of the median income in a 'base year' (in this case 1998/99) held constant over time (allowing for inflation);
- **Material deprivation & low income:** a new measure, which takes into account children lacking certain necessities as well as living in a household below the slightly higher threshold of 70% of contemporary median income.

Statistics on relative and absolute income poverty were available previously, but while measured absolute poverty did not form part of the 2004/05 target. The material deprivation and low income measure was new, requiring new questions in the annual survey from which poverty statistics are derived.² This now asks whether households have 21 goods and services, and whether this is because they are not wanted or cannot be afforded, with the latter counted as 'material deprivation'.³ These are listed in appendix B.

A 'prevalence weighting' is used for each item, based on the proportion of households that do have them, such that the 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."⁴

In 2004/05, the first year data were available using this measure of material deprivation combined with being below a threshold of 70% of median household income (rather than 60% used in the other two poverty indicators) – 2 million children were defined as being 'poor'. By 2007/08 this stood at 2.2 million children.

1.1 The CSR 2007 Public Service Agreement (PSA) target

The 2010/11 child poverty target has been the subject of Public Service Agreement (PSA) targets under both the 2004 and 2007 Comprehensive Spending Reviews.

The Government included a target to reduce child poverty (PSA9) in the 2007 Comprehensive Spending Review. The Treasury is the lead department, although the Children, Schools & Families and Work & Pensions departments will also have responsibility for child poverty. The PSA delivery agreement states that the "relevant Cabinet Committee/s will drive performance by regularly monitoring progress, holding departments and programmes to account and resolving inter-departmental disputes where they arise."⁵

This PSA target aims to "halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020". The CSR states that three indicators this will be involved in measuring this PSA:⁶

- Number of children in absolute low-income households
- Number of children in relative low-income households

² The annual *Family Resources Survey* (from which *Households Below Average Income* data are derived).

³ HM Treasury, [PSA Delivery Agreement 9](#), October 2007, p5

⁴ *ibid.*, p25

⁵ HM Treasury, [PSA Delivery Agreement 9](#), October 2007, para 3.4, p17

⁶ HM Treasury, *Comprehensive Spending Review 2007*, [Annex C: Public Service Agreements](#), p190

- Number of children in relative low-income households and in material deprivation

A delivery agreement for this PSA target briefly expanded on the reasons for the three indicators:⁷

Indicator 1: **Absolute low income** – which “measures whether the poorest families are seeing their income rise in real terms”;

Indicator 2: **Relative low income** – this indicator is based on the “European standard and captures the extent to which incomes of the poorest families are keeping pace with the rising incomes of the population”;

Indicator 3: **Material deprivation & low income** – “The higher income threshold used in this indicator will include children in families with high unavoidable costs, such as housing, which can adversely impact on living standards and leave people with low disposable income, even if income is above the 60 per cent median line. This indicator will also better capture the extra costs faced by families with disabled children.”

However, only the relative low income indicator (indicator 2) has a national target associated with it. As regards the other two indicators, the CSR 2007 states that indicators without national targets “are expected to improve against baseline trends” over the 2007 CSR period.⁸

The target for the **relative low income indicator (indicator 2)** is for child poverty in the UK to be halved from the 1998/99 baseline level of 3.4 million children by 2010/11.⁹ This differs slightly from the 1998/99 baseline used for the 2004/05 target because of differing methodology, such as the addition of Northern Ireland data to the previous Great Britain-only measure (see part 4).¹⁰ The national target is to be assessed in 2012, when the 2010/11 poverty data are expected to be released.

The 1998/9 baseline for the **absolute low income indicator (indicator 1)** is the same (3.4 million children). The **material deprivation & low income indicator (indicator 3)** has a 1998/99 baseline of 2.6 million. As no data were available prior to 2004/05, this figure is based on an assumed reduction since 1998/99 of 20%: “as large as that made on the relative low-income indicator”.¹¹

1.2 The previous (CSR 2004) PSA target

The 2004 Comprehensive Spending Review, alongside which the findings of a Child Poverty Review were published,¹² had also included Public Service Agreement (PSA) target, shared between the DWP and the Treasury, to halve the child poverty between 1998/99 and 2010/11.¹³ A technical note outlined targets for the three indicators:¹⁴

- **Relative low income:** the 1998/99 baseline was 3.4 million (then for Great Britain only), giving a target of 1.7 million in 2010/11.

⁷ HM Treasury, *PSA Delivery Agreement 9*, October 2007, p4

⁸ *ibid.*, p187

⁹ *ibid.*, pp21 & 23

¹⁰ No data for Northern Ireland prior to 2001/02 exists, and the years 1998/99-2001/02 have been imputed.

¹¹ *ibid.*, pp24

¹² HM Treasury, *Child Poverty Review*, 12 July 2004

¹³ HM Treasury, *CSR 2004: DWP PSA targets*, p37, under ‘Objective I’.

- **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 note goes on to state that “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.

A Treasury PSA document also said that:¹⁵

The Government will also set a target as part of the next Spending Review to halve by 2010-11 the numbers of children suffering a combination of material deprivation and relative low income. The target will be met if there is an equivalent proportional reduction to that required on relative low income between 2004-05 and 2010-11.

The specific absolute low income and material deprivation/low income targets outlined are not included in the CSR2007 PSA target, where they are indicators which as note above will be “expected to improve against baseline trends” over the 2007 CSR period.¹⁶

2 Progress so far (to 2007/08)

The latest poverty data for 2007/08 were released on 7 May 2009.¹⁷ These show that the number of children in relative poverty remained the same at 2.9 million, while absolute poverty also remained the same at 1.7 million children. This compares with an increase in the number of children in poverty of 100,000 for both relative and absolute measures in 2006/07. However, the material deprivation and low income indicator rose to 2.2 million children compared with 2006/07, which had seen 100,000 fewer children in poverty on this measure than in 2005/06.

The table and chart below summarise the 1998/99 baselines for the three indicators, the 2010/11 target for relative poverty, and progress so far up to 2007/08:

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

millions

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 2007/08: First Release*, 7 May 2009, tables 3.2 & 3.3

¹⁴ DWP, *Public Service Agreement for 2005-2008: Technical Note*, pp4-5

¹⁵ *ibid.*

¹⁶ *ibid.*, p187

¹⁷ DWP, *2007/08 HBAI: first release*, tables 3.2 & 3.3

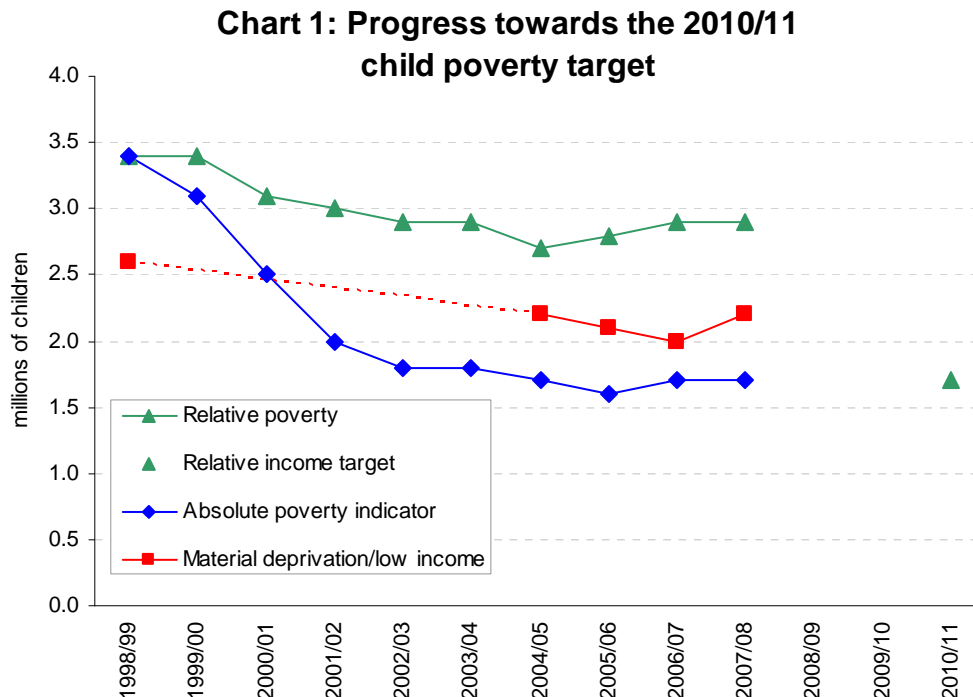
Child poverty in the UK: progress towards 2010/11 target

numbers (millions)

Year	Income Measure:	Relative (m)	Absolute (m)	Material & Low (m)
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>		-0.6	-1.7	-0.4
<i>remaining (estimate) (a)</i>		1.2		

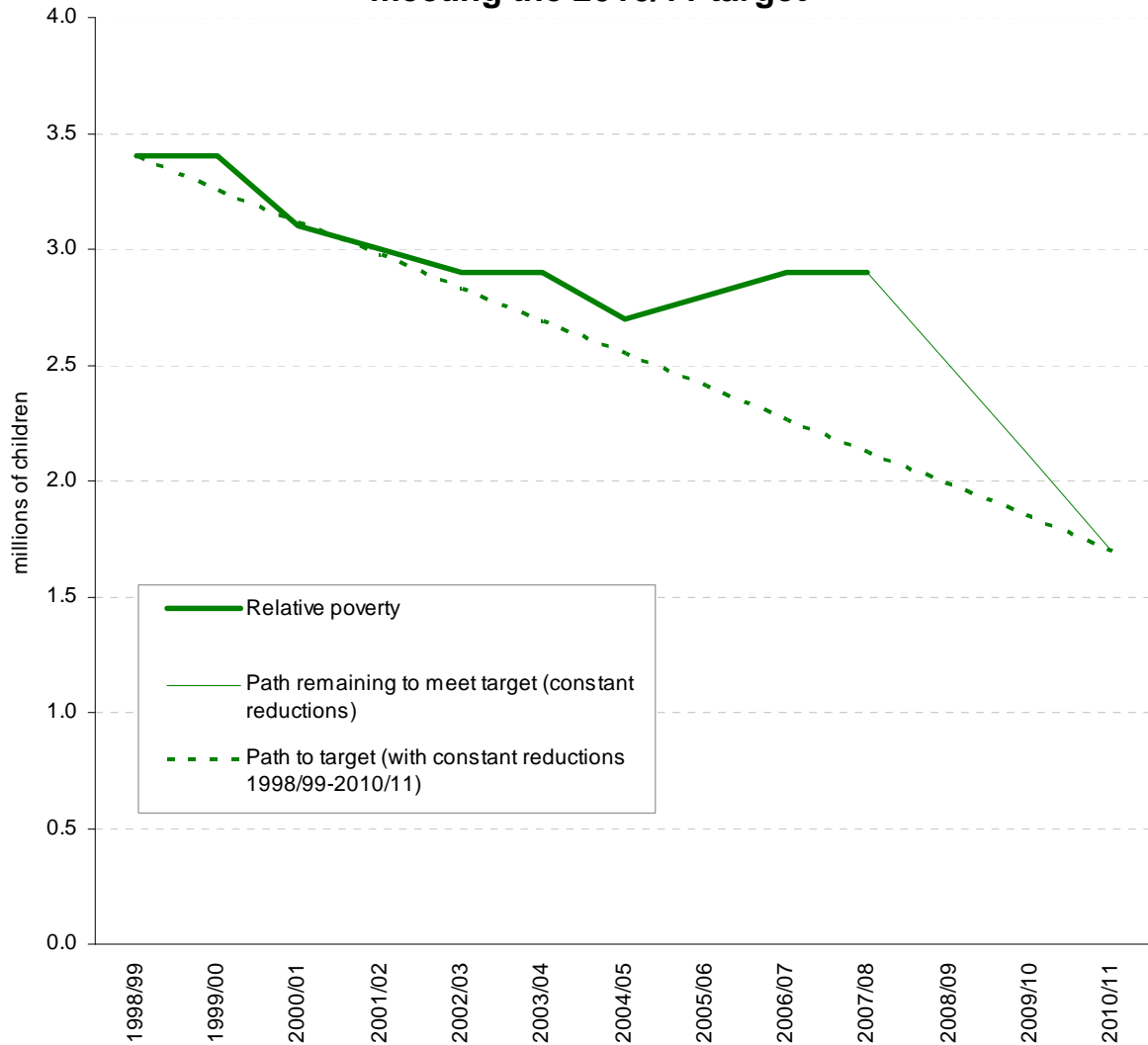
Notes: See definitions in note; (a) figures based on data pre-rounded to nearest 100,000
Sources: DWP, *HBAI 2007/08: First Release*, 7 May 2009, tables 3.2 & 3.3

The graph below charts progress on the three indicators so far, and for relative income poverty progress towards the 2010/11 target:



The second chart (below) focuses on the relative income poverty target measure. The thick line shows progress so far, while the dotted line shows the path that would have taken had poverty been reduced by the same amount in each year to meet the 2010/11 target. The thinner unbroken line shows the path that child poverty should follow if the 2010/11 target is to be met (assuming equal progress in each of the remaining three years).

**Chart 2: Child poverty in the UK:
meeting the 2010/11 target**



For more detail on the 2007/08 poverty data, see:

- [ONS first release \(summary of HBAI 2007/08\), 7 May 2009](#) and full [HBAI 2007/08 report](#);
- [DWP press release regarding the 2007/08 data, 7 May 2009](#);
- [Poverty & Inequality in Scotland 2007/08](#) (formerly Scottish HBAI).

3 Commentary on the 2007/08 child poverty data

3.1 Government response

Children's Minister Beverley Hughes said:¹⁸

We knew from the disappointing figures in 2006/07 that we were unlikely to see reductions in the child poverty figures for 07/08, but I'm pleased the child poverty rates have remained broadly stable, as the figures published today reveal. In Budget 2007

¹⁸ [DCSF press release, 7 May 2009](#)

and since, we took strong prescriptive actions to put reductions in Child Poverty rates back on track, and we expect the benefits of those measures to show first in 08/09 and 09/10. We estimate these measures will lift around 500,000 children out of poverty.

"The Government is committed to supporting families and we are equally committed to ensuring every child, whatever their background, has the best possible start in life. Our determination to end child poverty by 2020 is as strong as ever and we are legislating to enforce that commitment. The ground-breaking Child Poverty Bill will be published later this month.

Financial Secretary to the Treasury Stephen Timms said:¹⁹

Since 1997, the Government has made great progress by making work pay and reducing poverty through the introduction of tax credits and the National Minimum Wage. The steps the Government has taken to support the economy right now will help families and individuals, including a temporary cut in VAT worth over £20 a month on average for a household and an increase to the personal allowance worth £145 this year for 22m basic rate taxpayers for example.

3.2 Other commentary

Institute for Fiscal Studies

In February 2009, the Institute for Fiscal Studies (IFS) main forecast, based on known policy announcements at that time, was that 2.3 million would be in poverty in 2010/11, 600,000 above the target. The IFS noted that this would nonetheless see child poverty fall a further 600,000 from the 2006/07 level of 2.9 million to reach its lowest rate since 1985.²⁰

Based on the new 2007/08 data, the Institute for Fiscal Studies (IFS) confirmed their estimate of 2.3 million children in poverty in 2010/11, originally made in February 2009.²¹ This would be 600,000 above the target, although child poverty would have been reduced by two thirds since 1998/99, to reach its lowest rate since 1985.²²

Of the £4.2 billion a year (in 2009/10 prices) additional expenditure the IFS said was needed to raise those children out of poverty, based on a 30% increase in the child tax credit per child element (around £650), only £140 million (just over 3%) had been committed in the 2009 Budget. The IFS said this was "Nowhere near enough" to meet the target,²³ 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".²⁴

[...] 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 noted rising poverty among children in couple families, and in particular workless households or those with one working parent.²⁵ It also noted that:²⁶

¹⁹ "Government response to Households Below Average Income figures", DCSF press release, 7 May 2009

²⁰ IFS presentation, 18 Feb 2009; http://www.ifs.org.uk/conferences/cp2010_slides.ppt. For more information see IFS press release and "Micro-simulating child poverty in 2010 and 2020" report.

²¹ "Micro-simulating child poverty in 2010 and 2020", *IFS Commentary* 108, February 2009, and 8 May IFS presentation: http://www.ifs.org.uk/conferences/hbai09_ali.pdf

²² IFS presentation, 18 Feb 2009; http://www.ifs.org.uk/conferences/cp2010_slides.ppt. For more information see IFS press release and "Micro-simulating child poverty in 2010 and 2020" report.

²³ Stuart Adam, "Direct taxes and benefits" (PDF), Post-Budget IFS meeting presentation, 23 Apr 2009, slide 17

²⁴ "Poverty & Inequality in the UK 2009", *IFS Commentary* 109, May 2009, p2 (and p46), and pp43-44

²⁵ *ibid.*, p42

²⁶ IFS press release, 7 May 2009: <http://www.ifs.org.uk/pr/hbai09.pdf>

These statistics 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.

Other commentators

Despite a campaign in the run-up to the Budget, the tax credit increase was criticised by several NGOs. Martin Narey (Barnardo's & Campaign to End Child Poverty) said that the Government had chosen "to bury for all time the target to halve child poverty."²⁷ *The Guardian* also summarised other NGO views:²⁸

[...] the £20 annual increase came as a bitter disappointment to campaigners and charities working to fight child poverty. "It works out at 38 pence a week, which will make absolutely no difference," said Hilary Fisher, director of End Child Poverty. "It is a shamefully small increase." [...]

Kate Green, chief executive of the Child Poverty Action Group, said the sum was "woefully small". "The money targeted on the children struggling most during the recession amounts to less each week than the cost of a pint of milk. It is disgraceful to give such a pittance," she said.

The Budget outcome was also seen as insufficient the Treasury Committee. In a report, the Committee calls on the Government to explain how it plans to meet the 2010/11 target amid current economic difficulties. John McFall, the Committee's Chairman, said:²⁹

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.

Though spending in this area may not seem a priority amidst the sudden collapse of banks, in the long run it is the right thing to do. Nearly 4 million children in this country are still growing up in poverty. They are suffering now: they are likely to experience ill health, to underachieve in school and to be denied the opportunities that others are given. Indeed, child poverty and youth unemployment are linked. Now more than ever it is vital to support our young people. They will be the ones who will help us out of these difficult economic times; investment in their future is just as important as support for banks and businesses."

The main report also said:³⁰

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 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.

The Chairman had previously noted that the Budget statement had not mentioned the 2020 target, nor progress on child poverty so far "for the first time in years".³¹

²⁷ 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>

²⁸ "Children Campaigners attack 'disgraceful' pounds 20 increase in tax credit", *The Guardian*, 23 April 2009, p5

²⁹ "Treasury Committee calls for commitment on Child Poverty target", Treasury Committee press release, 6 May 2009

³⁰ Treasury Committee, "Budget 2009" (8th Report of 2008–09), p6 (and also para 69-74)

³¹ "John McFall condemns Darling's failure to address child poverty in budget", *Guardian Unlimited*, 26 April 2009, article at <http://www.guardian.co.uk/politics/2009/apr/26/john-mcfall-labour-child-poverty-policy>

The Campaign to End Child Poverty gave the following reaction in a press release:³²

The Campaign to End Child Poverty expressed disappointment at the HBAI (Homes below average income) statistics released today. The figures revealed that the number of children living in poverty remained largely unchanged from the previous year, this together with the Government's failure to support poor children in the 2009 budget leads the Government urgently needing to prove it's commitment to eradicating child poverty.

Hilary Fisher, director of End Child Poverty said: "Ten years ago Government committed to eradicating child poverty but these figures show progress has stalled. In the previous two years child poverty actually rose. Progress has been made on child poverty but the UK is way off track on its targets and budget 2009 invested less than a pint of milk per week per child in family incomes and so did nothing to narrow the gap.

These are not just statistics; they are real children and real families and poverty is damaging them. The Government must do more to help those on the lowest incomes particularly during this difficult economic time and tackling child poverty is a key part of this. What we cannot afford are the social and economic costs of continuing to fail our children."

Press comment on HBAI 2007/08:

Financial Times, 7 May 2009,

Scant growth in average household incomes

... But ministers were embarrassed by the rise in inequality and the stubborn failure of the numbers of children defined to be living in poverty to fall. The government is far from meeting its target of halving child poverty by 2010-11.

Beverley Hughes, the children's minister, said: "We knew from the disappointing figures in 2006-07 that we were unlikely to see reductions in the child poverty figures for 2007-08, but I'm pleased the child poverty rates have remained broadly stable".

The government hopes that boosts to tax credits announced in the 2007 Budget will start to bring poverty rates down again...³³

Guardian, 7 May 2009,

Child poverty reduction halted by recession

Labour's target for halving child poverty by 2010 will now be very difficult to meet, ministers admit

The number of children living below the breadline remained stuck at 2.9 million last year as the government's attempt to reduce poverty stalled, according to official figures released today.

Amid criticism from campaigners for the lack of progress, ministers admitted that it would now be "very difficult" for Labour to meet its objective of halving by 2010 the

³² End Child Poverty Campaign press release, May 7 2009: <http://www.endchildpoverty.org.uk/news/news/hbai-report--government-progress-on-child-poverty-stalled/23/168>

³³ Financial Times, 7 May 2009, *Scant growth in average household incomes*: <http://www.ft.com/cms/s/0/eeefa104-3af9-11de-ba91-00144feabdc0.html?ftcamp=rss>

number of youngsters living in households where the income was less than 60% of the national median...³⁴

4 Background to the 2010/11 target

Commentators had previously suggested that the 2010/11 target would be challenging, requiring new policies and additional expenditure. The Institute for Public Policy Research (IFS) recommended in March 2006 that there should be additional help for larger families, families with disabled children, and those in London.³⁵

A detailed Joseph Rowntree Foundation [project](#), *What will it take to end child poverty in the UK?*,³⁶ for the first time examined in detail the policies and expenditure that might be needed to reach the 2010/11 and 2020 targets. This focused on the most often reported relative income poverty indicator (final details regarding the material deprivation indicator were not available at the time). The projections suggested additional expenditure of £4.5 billion annually by 2010/11 in (2006 prices) to halve child poverty (further detail in appendix below).

While the new approach to measuring child poverty for the 2010/11 target was broadly welcomed, there were some criticisms, which were noted in [Library Research Paper](#) (part C). These include: the use of a purely **before housing costs measure**, the inclusion of **Northern Ireland** (to form a UK measure), and the change in the **equivalence scale** underlying the data.

4.1 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:³⁷

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.³⁸

The Work & Pensions Committee recommended that the AHC measure be used in its April 2008 report, but the Government's response did not accept this recommendation.³⁹

³⁴ Guardian, 7 May 2009, Child poverty reduction halted by recession:

<http://www.guardian.co.uk/business/2009/may/07/economy-child-poverty-target>

³⁵ "Renewed political will needed to meet child poverty pledge", *IPPR Press Release*, 9 March 2006

³⁶ JRF, "What will it take to end child poverty in the UK?"; www.jrf.org.uk/child-poverty/

³⁷ "Poverty & Inequality in Britain: 2004", *IFS Commentary 96*, June 2004, p3

³⁸ DWP, *Public Service Agreement for 2005-2008: Technical Note*, p5

³⁹ 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

4.2 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 that 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).⁴⁰ 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).⁴¹ 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”.⁴²

4.3 A 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”.⁴³ 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.”⁴⁴

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.⁴⁵

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:

⁴⁰ DWP, *HBAI 2004/05*, [appendix 4](#);

⁴¹ *ibid.*, pp225-226

⁴² *ibid.*, p220

⁴³ *ibid.*, p207

⁴⁴ Brewer et al. “Poverty & Inequality in Britain: 2004”, *IFS Commentary* 96, June 2004, p3

⁴⁵ This “broadly preserves the relationship between key AHC and AHC results from the McClements scales”, (DWP, *HBAI 2004/05*, p207, see www.dwp.gov.uk/asd/hbai/nsfr_newequiv.pdf for details).

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 2 percentage points (rounded) higher on the OECD scale in both 1998/99 and 2004/05 than on the McClements scale.⁴⁶ For numbers of children in poverty, the 1998/99 baseline year saw an increase of 0.2 million (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:⁴⁷

[...] 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).

5 The 2020 target

The Government has also pledged to eradicate child poverty by 2020. The proposed *Child Poverty Bill* would enshrine this commitment in law, and it was the subject of consultation ahead of its expected introduction.

5.1 *Child Poverty Bill*: enshrining the 2020 target in law

Child poverty was not prominent in the Government's consultative Draft Legislative Programme for the 2008-09 session announced on 14 May 2008, although the issue was raised in relation to a proposed *Welfare Reform Bill*.⁴⁸ Then, on 23 September 2008 in his speech to the Labour Party conference, the Prime Minister, Gordon Brown, announced:⁴⁹

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.

In October 2008 the Government announced the creation of a new joint Child Poverty Unit, comprising officials working on child poverty policy in the Department of Work & Pensions and the Department for Children, Schools & Families (DCSF). Its aim would be "to drive

⁴⁶ On income AHC the difference was 1 percentage point for both years (see *HBAI 2004/05*, table A3 1.2).

⁴⁷ IFS, *Poverty and Inequality in Britain: 2006*; p56

⁴⁸ <http://www.official-documents.gov.uk/document/cm73/7372/7372.pdf>

⁴⁹ Transcript from Guardian website; <http://www.guardian.co.uk/politics/2008/sep/23/gordonbrown.labour1>

forward the government's commitment to eradicate child poverty in the UK", and it would be sited in the DCSF and would begin its work "in mid November."⁵⁰

In his Pre-Budget Report (PBR) statement on 24 November 2008 the Chancellor of the Exchequer confirmed that the Government would bring in a bill "next year" to "set in legislation the historic commitment to eradicate child poverty by 2020."⁵¹

The PBR itself said that the Government will introduce a child poverty bill "in 2009".⁵² It also said that, given the "range of changes coming into effect in the coming months, the Government will take stock of progress towards its 2010 and 2020 child poverty target in the Budget" in 2009.⁵³ The Report also said that the Government would "launch a consultation asking stakeholders how legislation can best reflect its long-term ambition to eradicate child poverty."⁵⁴ The PBR also committed the Government to launching a new consultation on the 2020 target.⁵⁵

The Queen's Speech on 3 December 2008 included the *Child Poverty Bill* in the legislative agenda for the 2008/09 session.⁵⁶ The Bill will "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."⁵⁷ The *Financial Times* called this the "big political gesture" of the Queen's Speech.⁵⁸

The stated aim of the Bill is to "Give new impetus to Government's commitment and ensure a focus across government on ending child poverty for the long term",⁵⁹ which would "drive action across government and with our delivery partners".⁶⁰

Ahead of the Bill's introduction, the Government committed to "a consultation asking stakeholders how legislation can best reflect its long-term ambition to eradicate child poverty" prior to,⁶¹ to be "published in the new year" (see part 5.3 below).⁶²

The Government would also establish "a taskforce of experts from local authorities and the third sector which will report in spring 2009", to "assist local authorities in further improving take up of tax credits and benefits."⁶³

On 5 January, the Government announced the creation of a 'Take Up Taskforce' "asking local authorities and their partners to show how they are tackling child poverty by supporting parents to take up tax credits and benefits."⁶⁴ This comprises "experts from local authorities and the voluntary sector". The deadline for submissions is 20 February 2009.

⁵⁰ "New team to tackle UK child poverty", DWP/DCSF press release, 29 October 2007

⁵¹ http://www.hm-treasury.gov.uk/prebud_pbr08_speech.htm

⁵² HM Treasury, *Pre-Budget Report*, November 2008, para 5.29, p88

⁵³ *Ibid.*, para 5.13, pp86-87

⁵⁴ *Ibid.*

⁵⁵ HM Treasury, *Ending child poverty: everybody's business*

⁵⁶ "My Government will enshrine in law its commitment to eradicate child poverty by 2020." (Number 10 website, Child Poverty Bill page; <http://www.number10.gov.uk/Page17679>)

⁵⁷ Number 10 website, Child Poverty Bill page; <http://www.number10.gov.uk/Page17679>

⁵⁸ "Pledges on child poverty and cancer", *Financial Times*, 24 September 2008, p2

⁵⁹ Leader of the Commons, Child Poverty Bill page; <http://www.commonleader.gov.uk/output/page2654.asp>

⁶⁰ Number 10 website, Child Poverty Bill page; <http://www.number10.gov.uk/Page17679>

⁶¹ Leader of the Commons, Child Poverty Bill page; <http://www.commonleader.gov.uk/output/page2654.asp>

⁶² Number 10 website, Child Poverty Bill page; <http://www.number10.gov.uk/Page17679>

⁶³ Leader of the Commons, Child Poverty Bill page; <http://www.commonleader.gov.uk/output/page2654.asp>

⁶⁴ "Best practices sought to tackle child poverty", DWP press release, 5 January 2009

5.2 Some reaction

Director of the Campaign to End Child Poverty, Hilary Fisher, said:⁶⁵

While progress towards the halfway target of 2010 is slow, the Government must be commended for putting forward legislation to enshrine the target of ending child poverty by 2020 in law.

The Child Poverty Action Group said:⁶⁶

Enshrining the target to eradicate child poverty in law should unite MPs across the House to put the wellbeing of children at the heart of our national priorities. [...] In every seat voters will be looking to their own MP to support this important commitment to our children and the future of Britain.”

A broader Joseph Rowntree Foundation report, looking at the Government’s approach to reducing poverty over the past decade (published on 8 December), said:⁶⁷

there was once a great deal more to the government’s vision of poverty and social exclusion than ‘ending child poverty’. Ten years ago, the challenge was to get child poverty reduction added to the government’s agenda. Ten years on, the challenge is to prevent it dominating the social policy agenda to the exclusion of virtually all else.

According to one commentator, the proposal has been dismissed by some “as gesture politics”, drawing parallels with the 2007-08 Parliamentary session’s *Climate Change Bill* (now Act), they noted that:⁶⁸

Got right, legislation could bring real gains for children. [...] Whatever the spin, it will not guarantee that sustainable emissions will be achieved. Legal experts say it is “unthinkable” that an English court could force ministers to hit their carbon targets. The highly political calls required - closing power stations, or raising petrol tax - are ones that no judge could ever make. In the same way, whatever the law says about poverty, no court will compel a chancellor to increase child benefit.

He went on to argue that “in neither case does it follow that enshrining targets in law is pointless”, noting that *Bill* and its establishment of the Climate Change Committee:⁶⁹

enforces a transparent reporting framework, strengthening the hand of parliament in holding ministers to account. And while judges might not be able to change policy, they will be able to insist on due regard being paid to the evidence and be able to declare ministers to be in breach of the law. Such rulings can find echo in the one court that politicians must respect - the court of public opinion.

The commentators also noted that child poverty targets could be politically contentious: “We can’t know for sure, because neither government nor opposition has yet pinned down the type of poverty they wish to eradicate.”⁷⁰

Asked whether he would support the legal target to eradicate child poverty in the Queen’s Speech, David Cameron MP stated:⁷¹

⁶⁵ “Future of a more equal UK society promised today”, End Child Poverty press release, 3 December 2008

⁶⁶ <http://www.cpag.org.uk/press/031208.htm>

⁶⁷ JRF, Monitoring poverty and social exclusion 2008, p18; see [press release](#) and [report PDF](#)

⁶⁸ Tom Clark, “Opinion: Poverty reduction requires clear targets”, *The Guardian*, 1 October 2008, p4

⁶⁹ *Ibid.*

⁷⁰ *Ibid.*

Yes, of course we will support it, but the problem with the Government's approach is that they keep legislating for things that they are not achieving. Child poverty is getting worse. [Interruption.] Yes, and if they wanted child poverty to improve, they would take up our plan to abolish the couple penalty that would lift 300,000 children out of poverty.

An Early Day Motion has also been tabled, entitled "End Child Poverty – Keep the Promise Campaign":⁷²

That this House notes the Prime Minister stated in his speech to the Labour Party Conference in Manchester on 23 September 2008 that 'because child poverty demeans Britain, we have committed our party to tackle and to end it', and announced his intention to introduce ground breaking legislation to enshrine in law Labour's pledge to end child poverty; welcomes this commitment, while recognising one in three children in the UK still live in poverty; congratulates the organisers of the march in London on 4 October 2008 with the theme of End Child Poverty - Keep the Promise; further notes the importance of the petition handed in to 10 Downing Street by the Campaign to End Child Poverty; further notes that 110 organisations are part of the campaign-organising coalition; calls for special attention to be paid to the necessity for warm, dry and safe homes, a nutritious and balanced diet, access to books and computers, at least one annual holiday, access to public transport, and safe places for recreation; and calls on Mr Chancellor of the Exchequer to make ending childhood poverty his number one priority in his 2009 Budget.

The 2020 target was also discussed in a 9 December [BBC Radio 4 Today programme](#) piece.

5.3 Consultation (Jan-Mar 2009)

On 28 January 2009 the Government's joint Child Poverty Unit issued a consultation paper on the nature of the *Child Poverty Bill*, [Ending child poverty: making it happen](#) (DCSF [webpage](#)). The consultation process ran until 11 March 2009.

The document observes that "Relative poverty, while having fallen since 1997, has increased, albeit slightly, over the most recent period, and persistent poverty remains a problem."⁷³ The consultation has "four key aspirations":⁷⁴

- more parents in work that pays;
- financial support that is responsive to families' situations;
- improvements in children's life chances so that poverty in childhood does not translate into poor outcomes;
- and safe, cohesive communities that support children to thrive.

The accompanying press release also called "for more accountability and higher expectations, where Government, devolved administrations, local government, charities, unions and families themselves work together to end the scourge of child poverty."⁷⁵

⁷¹ HC Deb 3 December 2008 c26

⁷² EDM 117 of 2008/09; <http://edmi.parliament.uk/EDMi/EDMDetails.aspx?EDMID=37109&SESSION=899>

⁷³ DCSF/DWP, [Ending child poverty: making it happen](#), Jan 2009, para 14, p7

⁷⁴ ["Ending child poverty: giving every child the best start in life - Cooper, Purnell, Balls"](#), DWP news release 129/09, 28 January 2009

⁷⁵ *ibid.*

The Government also proposes it reports on progress to Parliament annually, and that a child poverty strategy is published every three years evaluating progress “and setting out milestones for future action across a range of policy areas.” An “expert commission” is also proposed “to provide advice”, and “technical matters” would be remitted to it “for consideration”.⁷⁶

While the document makes some England-specific proposals, the Government says it “will work closely with the Devolved Administrations in Northern Ireland, Scotland and Wales, recognising their particular and varying responsibilities.”⁷⁷ It also states that “meeting the challenge of eradicating child poverty across the country requires all local authorities and their partners to focus on improving the opportunities, experiences and outcomes for disadvantaged children and their families. The Government is considering how it can build on this progress to support and encourage all local services to strengthen their role and do more to tackle child poverty.”⁷⁸ Councils in England may be given a duty to promote action to reduce child poverty in their local area,⁷⁹ while other options include requiring local authorities to set local child poverty targets or for the too have regard to child poverty when exercising their functions.⁸⁰

New childcare pilots, intended to help parents back into the workforce, were also announced alongside the consultation.⁸¹

Some organisations’ responses to the consultation are available online, including:

- Child Poverty Action Group:
http://www.cpag.org.uk/info/briefings_policy.htm#poverty_leg;
- End Child Poverty:
http://www.endchildpoverty.org.uk/files/c1109_ending_child_poverty.doc;
- IFS: <http://www.ifs.org.uk/publications/4459>.

A full consultation response was published alongside the Bill (see [DCSF child poverty page](#)).

5.4 What would ‘eradication’ look like?

There has been some debate around the definition of ‘eradication’ of child poverty, and what this might mean in practice.

As the January 2009 consultation document states: “Driving action to eradicate child poverty requires a clear and comprehensive definition of success.”⁸² The Government proposes a three-fold set of targets:⁸³

- **Relative income poverty** (measured before housing costs): continuing the main focus of the 2010/11 target, and reducing the proportion of children in relative poverty to between 5 and 10%, which would be “in line with the best in Europe, reflects the fact

⁷⁶ DCSF/DWP, *Ending child poverty: making it happen*, Jan 2009, paras 18-19, p9

⁷⁷ *ibid.*, para 7, p6

⁷⁸ *ibid.*, para 21, p10

⁷⁹ *ibid.*, paras 88-97, pp29-31

⁸⁰ *ibid.*, paras 88-97, pp29-31

⁸¹ For details, see “[Ending child poverty: giving every child the best start in life - Cooper, Purnell, Balls](#)”, *DWP news release* 129/09, 28 January 2009

⁸² DCSF/DWP, *Ending child poverty: making it happen*, Jan 2009, para 17, p6

⁸³ *ibid.*, box 1, p8 (see paras 48-54, 55-59 and 60-63 respectively)

that it will not be technically feasible to achieve zero using a survey measure, and also reflects the dynamic nature of low incomes”;

- **Material deprivation & low income:** reducing the relatively new indicator of the proportion of children in material deprivation and low income combined “to a level approaching zero” by 2020;⁸⁴
- **Persistent poverty:** “Continued progress” to be seen.

As the paper states:⁸⁵

Eradication will therefore be achieved when 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. Taken together these measures will ensure that action on child poverty makes a substantial and sustainable impact on children’s lives. This would put the UK’s position on child poverty firmly among the best in Europe.

The consultation paper also seeks for views on whether a fourth target, concerning **absolute income poverty**, “to capture whether low income families see their real incomes increase over time”, should be included. This is “seen by some as an easier target to achieve than cutting relative poverty”.⁸⁶

As noted above (in part 1.1), at present there is only a national target for relative poverty, with supporting (non-target) indicators tracking absolute poverty and material deprivation/low income. Although data are currently collected on persistent poverty,⁸⁷ there has until now been no target or indicator for such a measure. The consultation notes that “technical issues” of measurement prevents a target from being set at the moment, with details to be left to the Government’s proposed commission.⁸⁸

On relative poverty, the Government had previously suggested that the target might be met with 5% of children in poverty, rather than 10%. The Institute for Fiscal Studies noted a “loosening” of the relative poverty target in the proposals, which would “make it a little easier” to meet the 2020 target⁸⁹ The consultation document notes that 5% was the “best child poverty rate that has ever been achieved in Europe”, and “have not been sustained.”⁹⁰ Therefore “between 5-10 per cent is an ambitious but technically feasible goal”.⁹¹

Presenting data for four years (1997, 2001, 2005 and 2007) for six EU countries as examples, the paper notes that 10% was “the best in Europe” in 2007.⁹²

The IFS also noted that child poverty in this country had not been below 10% since consistent records began in 1961, and that households that had “very low incomes enjoy

⁸⁴ *ibid.*, para 58, p21

⁸⁵ *ibid.*, para 47, p19

⁸⁶ “Downturn will hit child poverty plans, ministers admit”, *The Guardian*, 29 January 2009, p2

⁸⁷ See DWP, *Low Income Dynamics (most recent for 1991-2005)*

⁸⁸ DCSF/DWP, *Ending child poverty: making it happen*, Jan 2009, para 63, p22

⁸⁹ “Ministers suggest more realistic child poverty target”, *IFS release*, February 2009

⁹⁰ *ibid.*, para 51 and table 1, p20

⁹¹ *ibid.*, para 53, p21

⁹² Similar data, but using a slightly different measure of poverty based on children aged 0-15 (rather than 0-17 as used in the paper) is available for 25 EU and some non-EU countries from the [Eurostat website](#).

high living standards, suggesting their incomes are mis-measured or that they are poor only temporarily.” Mike Brewer from the IFS noted that:

Cynics may suggest that the focus on child poverty in 2020 is to deflect attention from the Government's existing target to halve child poverty from its 1998 level by 2010. Despite considerable extra spending on families with children in the past two Budgets, we estimated last summer that the Government would miss this target, just as it missed its earlier target one for 2004.

Previously, an earlier consultation on a new child poverty measure had suggested that success in eradication could be seen as “a material deprivation child poverty rate that approached zero and being amongst the best in Europe on relative low incomes”.⁹³ It suggested either a relative rate no higher than the average of the best three or four European countries, or “having a relative child poverty rate that was within 2 percentage points of the average of the best three countries”.⁹⁴ As the paper noted, any of these would approximate to a rate somewhere between that of Sweden and Denmark.

However, a technical note stated that:⁹⁵

Success in the 2020 goal of eliminating child poverty in relative income terms might therefore be judged if the UK's child poverty rate has improved to the point where it is among the best in Europe. A reduction by half in the numbers of children in relative low income by 2010-11 from a 1998-99 base would therefore put the Government more than half way towards this long term vision.”

In 2004, the Child Poverty Action Group outlined three possible 2020 target ‘end points’:⁹⁶

- the average of the three best European countries, with around 7% of children in poverty (around 900,000 children);
- the average of the best four, 8.5% or 1.1 million; and
- within 2 percentage points of the average, 9% or 1.2 million.

A July 2006 Joseph Rowntree Foundation report suggested that success in eradicating was “clearly a matter of opinion and political judgement” (see Appendix 1 for more detail):⁹⁷

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 this paper then we have decided to define abolishing child poverty as meaning that the relative child poverty rate measured BHC on the OECD scale is 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.

⁹³ DWP, *Measuring Child Poverty*, December 2003, para 71, p20

⁹⁴ *ibid.*, footnote on same page.

⁹⁵ DWP, *Public Service Agreement for 2005-2008: Technical Note*, 2007, p4

⁹⁶ Paul Dornan, “Defining income poverty out of existence?”, *CPAG Poverty articles* 117, 2004

⁹⁷ Brewer et al, *Micro-simulating child poverty in 2010 and 2020*, 2006, p17

Appendix A: Estimates of the costs of meeting future targets

2010/11 target

A Joseph Rowntree Foundation [project](#), *What will it take to end child poverty in the UK?*,⁹⁸ included work by researchers from the IFS and the Institute for Economic & Social Research projecting estimated costs of policies that would enable the Government to meet its 2010/11 target, and to a more limited extent its 2020 target.⁹⁹

The JRF project summary report summarises, “with present policies there will be little net change from the present level” – containing child poverty, but not reducing it dramatically.¹⁰⁰ Indeed, it suggests that current policies would not go far beyond the original 2004/05 target by 2020.¹⁰¹

Three broad approaches were considered for meeting the 2010/11 target, i.e. 1.6 million children remaining in poverty. The most cost effective package would increase the ‘per child’ element of child tax credit (CTC) from £37 per week to £53 per week at a cost of around £4.2 billion a year (in 2006 prices) by 2010/11 above current spending levels.¹⁰²

Approaches based on universal child benefit and the working tax credit (WTC) were both more expensive (£12.5 billion and £9.2 billion respectively, though the latter would not reach the 2010/11 target).¹⁰³ However, as these approaches were seen as unbalanced, with unintended incentive effects, three policy packages were considered:

2010/11 Child Poverty Target: projections

£ billion, numbers (million) and £ per child

Package	Description	Cost per year in 2010/11 (2006 prices)	No. children taken out of poverty	Approx. cost per child
A	<i>mixture of CTC, WTC and child benefit</i> per child element of CTC up from £37 per week to £48.50 per week Child Benefit for third (& additional) child up from £11.70 to £17.05 WTC for couples by £36 a week	£5.7bn	1.1 million	£5,300
B	<i>per child and family elements of CTC</i> per child element of CTC up from £37 per week to £48.50 per week family element rise by £20 each third (& additional) child	£4.3bn	1.0 million	£4,300
C	<i>As B but large family supplement paid via Child Benefit</i> (£20 increase for third & additional child, from £11.70 to £35.74)	£4.7bn	1.0 million	£4,700

Notes: See technical paper (*op. cit.*) for methodological detail and interpretative guidance

Source: Hirsch, *What will it take to end child poverty? Firing on all cylinders*, July 2006, fig 12, p57

⁹⁸ www.jrf.org.uk/child-poverty/

⁹⁹ Brewer et al, *Micro-simulating child poverty in 2010 and 2020*, 2006, see also the overall JRF project report chapter 4 *passim*. and the relevant section of that report’s *summary*.

¹⁰⁰ Donald Hirsch, *What will it take to end child poverty? Firing on all cylinders*, July 2006, p12

¹⁰¹ *ibid.*, fig 10, p53 & Brewer et al, *Micro-simulating child poverty in 2010 and 2020*, 2006, fig 1, p18

¹⁰² *ibid.*, p55

¹⁰³ See Hirsch (*op. cit.*), figure 11, p55

The project summary highlighted package B costing £4.3 billion than current policies,¹⁰⁴ stating that it

[...] would involve rises only in the Child Tax Credit, but would use its two elements for two different purposes. The child element would, as in Package A, help low-income families more by rising relative to earnings. But a greater rise would be given to children in large families, by increasing the 'family element' of the credit by £20 a week for the third and for each subsequent child. This element goes to nearly 90 per cent of families with children, so larger families with all but the highest incomes would gain. This would help maintain the principle of 'progressive universalism', which gives a certain level of benefits to people with particular needs regardless of their incomes, but more for the least well-off. The targeting of large families regardless of income as well as poor families in this package has advantages. It reduces work disincentives, and increases the degree to which large families can rely on a certain level of child support that will not fluctuate with their incomes. Moreover, because of the relatively high poverty rates experienced by larger families, it is just as cost-efficient as using the child portion of Child Tax Credit only in lifting children out of poverty.

The technical paper includes a broader range of child poverty projections and expenditure costings, and also (in section 4.3) looks at some other policy options which could contribute to meeting to 2010/11, including tax changes and targeting by family type and area.

2020 target

The report also looked towards the 2020 target for 'eradicating' child poverty, defined as having levels comparable with the lowest in Europe (around 5% of children living in households with incomes below 60% of the national median).

The report examined similar policy measures, assuming that package B had already been implemented, to estimate notional costs. This would see WTC for families with children increased by 37%, and all benefits and credits received by those families increased by 7% annually from 2010/11 to 2020/21. While a further 1.2 million children would be lifted out of poverty, exceeding the 5% child poverty threshold, this would cost an additional £27.6 billion a year by 2020/21 (in 2006 prices).¹⁰⁵ The overall expenditure (including previous measures) would be £30.5 billion higher than under current policies (in 2006 prices).¹⁰⁶ As the project summary notes:¹⁰⁷

[...] the escalating marginal cost of getting children out of poverty through tax and benefit policy in the 2010-20 scenarios is an important signal of the need for a multifaceted strategy that benefits from but does not rely solely on these measures. A key long-term requirement is to increase substantially the amount that parents earn from work. This would have the double advantage of lifting more families out of poverty with the help of market incomes and reducing the cost of the tax credit system and so releasing resources to raise benefits for those remaining out of work. It is interesting to note that even as the poverty rate falls below 10 per cent in the model discussed here,

¹⁰⁴ As Brewer et al, *Micro-simulating child poverty in 2010 and 2020*, 2006, notes the estimated annual cost by 2010/11 would be £4.5 billion based on the government's public finances, slightly higher as the it has yet to identify expenditure to raise the 'per child' element of CTC above inflation in April 2010.

¹⁰⁵ *ibid.*, p59

¹⁰⁶ *ibid.*, fig 13. The package would up-rate "key parts of parents' incomes 5% a year faster than earnings: child element of Child Tax Credit, Income Support, Housing Benefit disregards" and assumes that take-up of tax credits is improved, reducing by half non-take-up by 2020. The report notes that "Without this assumption, spending on tax and benefits yield sharply diminishing returns, and it is virtually impossible to reach the target poverty level." *ibid.*, p59

¹⁰⁷ *ibid.*, p61

a third of poor children still live in single-earner couples. Helping such families to do better in the labour market is an important part of the overall equation.

As the technical paper notes, this equates to around 1.7% of GDP, and would have negative incentives on working by increasing effective marginal deduction rates and discouraging households for having two earners, which the modelling does not account for.¹⁰⁸

Section 4.4 of the technical paper looks more closely at who might be left in poverty in 2020.¹⁰⁹ The paper also highlights the effects of proposed policies on work incentives (see section 4.5) and the importance of the assumptions inherent in the modelling, such as earnings growth and demographic change, which if changed can have large effects (section 5). The technical paper also provides full methodological detail and alternative projections.¹¹⁰

On the report's release, the Secretary of State for Work and Pensions called it a "comprehensive analysis" that "makes clear the scale of the challenge we face if we are to meet our historic goal of eliminating child poverty by 2020."¹¹¹

Appendix B: Material deprivation questions

The Family Resources Survey asks questions to assess adult and child deprivation, covering 21 goods and services:

Adult deprivation:

1. A holiday away from home for at least one week a year, whilst not staying with relatives at their home.
2. Replace any worn out furniture.
3. A small amount of money to spend each week on yourself, not on your family.
4. Regular savings (of £10 pounds a month or more) for rainy days or retirement.
5. Insurance of contents of dwelling.
6. Have friends or family around for a drink or meal at least once a month.
7. A hobby or leisure activity.
8. Replace or repair major electrical goods such as refrigerator or washing machine, when broken.
9. In winter, able to keep this accommodation warm enough.
10. Two pairs of all weather shoes for each adult.
11. Enough money to keep your home in a decent state of repair.

Child deprivation:

12. Outdoor space / facilities to play safely.

¹⁰⁸ See Brewer et al, *Micro-simulating child poverty in 2010 and 2020*, 2006, p4

¹⁰⁹ *ibid.*

¹¹⁰ *ibid.*, esp. table 4, p24

¹¹¹ "What will it take to end Child Poverty?", 6 July 2006; www.jrf.org.uk/child-poverty/documents/hutton-speech.doc

13. A holiday away from home at least one week a year with his or her family.
14. Swimming at least once a month.
15. A hobby or leisure activity.
16. Friends round for tea or a snack once a fortnight.
17. Enough bedrooms for every child over 10 of different sex to have his or her own bedroom.
18. Leisure equipment (e.g. sports equipment or a bicycle).
19. Celebrations on special occasions such as birthdays Christmas or other religious festivals.
20. Play group/nursery/toddler group at least once a week for preschool aged children.
21. ELSE: Going on a school trip at least once a term for school aged children.