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Ending child poverty: mapping the route to 2020

March 2010



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Foreword

It is now over ten years since the Government pledged that it would eradicate child poverty in the UK by 2020. It was a bold and ambitious pledge, especially as over the previous two decades child poverty in the UK had doubled to one of the worst rates in Europe.

The new Child Poverty Bill enshrines that pledge as a binding duty on the Government and requires the publication of a renewed strategy within 12 months of Royal Assent. But we know now – from the experience of the past decade, and the best available evidence – much that will have to guide that strategy.

We know we need to start by building on what's been achieved. That two decades long rise in child poverty has been put into reverse. It is anticipated that by the end of 2010 around a million children will have been lifted out of poverty since 1998. Families are now benefiting from tax credits, and the National Minimum Wage, rises in Child Benefit, investment in schools and Sure Start Children's Centres, increases in the provision of quality affordable childcare – all supporting parents to help their child get on.

We need to keep in mind that there are no silver bullets. As the Bill recognises, disadvantage will only be addressed by developing parental employment and skills, financial support, childcare and educational opportunity, health, housing and neighbourhood conditions.

But we also know we must keep making work pay at the heart of our approach. Work remains the best route out of poverty. A child today in a family where their parents work has a greatly reduced risk of being in poverty.

We must combine this with support for family life, particularly for parents with young children, many of whom do not want to work or only want to work part time while their children are at school. All the evidence points to early years development in the home being critical to children's life chances. It makes no sense to lift parents out of poverty today if we do so in a manner which may increase the chances of their children continuing the inter-generational cycle of poverty. And parents want to be able to balance work and family life as their children grow older too so they must be able to work flexibly or part time to fit with their family responsibilities.

Finally, eradicating child poverty has to be part of a broader vision for securing strong stable and balanced growth with opportunities for all.

This paper shows that if we do all these things, and approach the task in partnership with those working hard in our communities to tackle the blight of poverty, we can end child poverty in the UK during a decade of tighter public finances, and do so for the long term.

It is a generational task but we are committed to seeing it through.



Stephen Timms



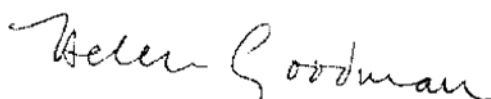
Yvette Cooper



Ed Balls



Dawn Primarolo



Helen Goodman

Executive summary

- 1 The Government made a pledge in 1999 to eradicate child poverty in a generation. This paper sets out how the Government – in partnership with others – can build on the foundations already laid, through action to promote employment and transform children’s life chances, tailored to local needs. It will inform a new UK – wide Child Poverty Strategy – the National Strategy – to be published within 12 months of Royal Assent of the Child Poverty Bill.

Chapter 1 – Meeting the Challenge to 2020

- 2 Reducing poverty and deprivation is at the heart of the Government’s efforts to promote fairness and secure opportunity for all. Growing up in poverty and deprivation blights children’s lives and detracts from family relationships, diminishing child and family well-being. Poverty and deprivation in childhood lead to worse outcomes in adulthood, entrenching disadvantage over time and across generations, which has costs for individuals and society alike.
- 3 Government efforts over the past decade have had a significant impact on child poverty. In the mid nineties, the UK had one of the highest relative child poverty rates in the industrialised world¹ – as measured by the proportion of children living in families with a household income below 60 per cent of median income – after child poverty more than doubled between 1979 and 1997.² By 2010-11 it is anticipated that around one million children will have been lifted out of poverty through the Government’s actions to promote employment and make work pay, improved financial support and incentives to work for low income households, the provision of additional support for families with children and investment in high quality public services.³ By contrast, it is estimated that had the Government done nothing other than uprate the tax and benefit system since 1997, two million more children would be in relative poverty today.⁴
- 4 To drive progress towards the 2020 vision to eradicate child poverty, the Child Poverty Bill sets out four challenging UK-wide targets to be reached and sustained from 2020:
 - **Relative poverty** – to reduce the proportion of children who live in relative low income (in families with income below 60 per cent of the median) to less than 10 per cent;
 - **Combined low income and material deprivation** – to reduce the proportion of children who live in material deprivation and have a low income to less than 5 per cent;
 - **Persistent poverty** – to reduce the proportion of children that experience long periods of relative poverty, with the specific target to be set at a later date; and

¹ HM Treasury (2008) *Ending Child Poverty: Everybody’s Business*

² Households Below Average Income 2007-08

³ HM Treasury (2009) *Pre-Budget Review*,. See also: HM Treasury (2004) *Child Poverty Review* ; HM Treasury (2008) ; *Ending Child Poverty: everybody’s business* HMT, DWP, DCSF.

⁴ HM Treasury analysis based on a comparison of simulated child poverty levels under today’s tax and benefit system and the 1997-98 system indexed to today’s prices.

- **Absolute poverty** – to reduce the proportion of children who live in absolute low income to less than 5 per cent.
- 5 Chapter 1 presents modelling by the Child Poverty Unit that illustrates ways in which relative child poverty could be reduced in line with the target and the potential impact achieving various outcomes could have. There are many unknowns, but the modelling indicates that increases in employment and reductions in in-work poverty have the potential to significantly reduce child poverty by 2020. Securing the recovery and providing the platform for growth and opportunity, including through maintaining the path of fiscal consolidation, are essential to achieving these outcomes and therefore to reducing child poverty in line with the targets.
 - 6 The Government is committed to achieving a sustainable solution to eradicate child poverty and to minimise socio-economic disadvantage for children. This requires continued action across the main policy areas or “building blocks” set out in legislation, from housing and health, to education and childcare, family support and financial support, to parental employment and skills.

Chapter 2 – Promoting employment as the best route out of poverty

- 7 Promoting parental employment is central to any approach to meeting the 2020 targets because paid employment is the single most important factor in reducing the risk of poverty for all groups of families with children, including lone parent families, families with a disabled member and families from ethnic minority backgrounds. Parental employment is also important for minimising socio-economic disadvantage because it has positive impacts for parents and children alike, over and above the effect of household income.
- 8 Over the last decade the Government has taken significant action to help parents move into sustained employment and to make work pay for all families. This includes the introduction of tax credits and the National Minimum Wage, and significant financial support for childcare costs. The Government has also taken steps to improve the availability of flexible working arrangements to allow more parents to fit employment around the demands of family life. It has made a difference – the lone parent employment rate, for example, has increased by 12.1 percentage points since 1997.⁵
- 9 To go further and eradicate child poverty will require a strong and growing economy that offers opportunity for all. Employment support must be responsive to families’ needs and circumstances, and address the factors that prevent parents from moving into work. Intensive, personalised support is essential for families most at risk of worklessness and to prevent people moving frequently or repeatedly in and out of work.
- 10 To make work a sustainable route out of poverty through a reduction in the number of families who are in work, but still in poverty, the National Strategy will need to look at what more needs to be done to address the reasons for low pay amongst certain social groups, notably women, ethnic minorities and disabled groups. And we need to go further to facilitate employment including by enabling parents to balance work and family life. The Government must continue to make it easier for parents to work, including for second earners who can often face similar

⁵ The latest GB lone parent employment rate is 56.9 per cent. (2009 Q2). It has increased by 0.6 percentage points over the year, and by 12.1 percentage points since 1997, an increase of 365,000 lone parents in work. Source: Household Labour Force Survey.

constraints to lone parents in returning to the labour market. In 2007-08 there were around 700,000 children living in poor couple families where only one adult was in work, representing 43 per cent of children in families who are in working poverty.⁶ Research indicates that parents' employment decisions are influenced by the type of employment available, the financial benefits of moving into work, the costs and nature of childcare available, and perceptions about all these considerations. The Government must also help parents find quality part time and flexible work that fits with school hours or family responsibilities.

- 11 The National Strategy will need to strike the balance between encouraging work and supporting family life. The Government's guiding principles are that families with very young children should be supported to make the choices that are right for them including staying at home or working part time when children are small, as many parents want to do. This is already reflected in the tax credit and benefits system, and the respective focus of public services for parents of children of different ages.
- 12 International experience suggests that the UK has significant scope to improve outcomes further and be amongst the best in Europe in terms of parental employment, both for lone parents and couple families alike, and levels of in-work poverty. The analysis set out in Chapter 1 shows that being amongst the best in Europe in terms of parental employment and tackling in-work poverty would make a significant contribution to the child poverty strategy.

Chapter 3 – Transforming children's life chances

- 13 Improving life chances, with a focus on early intervention, has to be central to any sustainable approach to the 2020 targets otherwise inter generational disadvantage and poverty will repeat itself in fresh cycles. Inequality begins at the earliest stages of life and accumulates at each subsequent stage.
- 14 The Government continues to invest in early years, childcare and family services for all families to give every children the chance to fulfil their potential. This includes action on maternal and infant health, targeted support for families with the greatest needs and improving access to early years learning in high quality, affordable childcare. The Government's Sure Start Children's Centres are bringing groundbreaking improvements to the activities, support and networks which are universally available to families within their own communities.
- 15 Current activity is making an impact but much more needs to be done to ensure an end to child poverty. The National Strategy must build on the existing success and identify how the Government will go further in three areas:
 - **Early childhood development**, laying the foundations for life by equipping children with the cognitive and non-cognitive skills to learn in school;
 - **Narrowing the gap in educational achievement** between the most and least advantaged children and young people, as there is a clear link between attainment in education and training and later incomes; and
 - **Promoting smooth transitions from adolescence to adulthood** to ensure that young people are engaged in education or training to support future

⁶ Households Below Average Income 2007-08

employment and avoid common risks. The Government has already committed to raising the participation age to help achieve this.

- 16 Underpinning progress in these areas is the influence of the family. Families are the biggest single influence on child outcomes but that influence is intertwined with poverty. Because poverty does make family life and parenting harder. Government can play a role in ensuring that all families have access to the resources, help, information and advice they need.

Chapter 4 – Excellence in local delivery and the importance of place

- 17 Child poverty is everybody's business and it is only through the Government, communities, local authorities, Devolved Administrations, service providers, employers and families working together that child poverty can be tackled and a fairer society created.
- 18 Local authorities are best placed to ensure that priorities and needs within the "building blocks" are set out in local strategies and then translated into local integrated services. Approaches tailored to local circumstances will deliver better outcomes for children living in the families that are already – or are most at risk – of poverty in their area.
- 19 The Child Poverty Bill and local strategies will empower local authorities to work with their partners to tackle child poverty, with new duties to:
 - carry out a local child poverty needs assessment to identify the characteristics, needs and issues of local areas and residents; and
 - prepare a joint local child poverty strategy setting out the contribution that each partner will make and address the issues raised in the needs assessment.
- 20 Continued action in all local areas is crucial to tackling child poverty across the country and eradicating pockets of deprivation that can occur in any area. Learning from local efforts will also be integral to the development of the National Strategy within the next 12 months. Further support and guidance will be provided to help local areas to fulfil their duties.

Chapter 5 – Conclusion and next steps

- 21 This paper sets out the key themes that will need to guide the development of national and Devolved Administration strategies and local action to tackle child poverty – preparing the ground for a full strategy to be published within 12 months of Royal Assent of the Child Poverty Bill.
- 22 An Expert Child Poverty Commission will be established to provide advice and support to ensure that child poverty is a consideration in policies across government.
- 23 Formal consultation on the draft statutory guidance on the new local duties will begin as soon as possible after Royal Assent with the expectation that a final version of the guidance will be published by summer 2010.
- 24 The Government continues to work with a full range of partners across government and beyond to make sure that the national, local and devolved strategies meet the needs of those at risk of poverty, deprivation and disadvantage, drawing together and continuing to develop best practice and evidence to help achieve the commitment by the Government to eradicate child poverty by 2020.

1

Meeting the challenge to 2020

“If you don’t have much money you can’t have coal for your fire, or have a bed and you can’t have good things for your birthday”.^a

“At the end of the day, you end up going without, under-nourishing yourself. Obviously you undernourished yourself because you never under-nourish your children. It ends up making you ill, and whatever happens to your children when you’re ill? You just have to get on with it. It makes it harder”.^b

^a Crowley and Vulliamy 2007, p.11 cited in Ridge, T (2009) *Living with poverty: A review of the literature on children’s and families’ experiences of poverty*. DWP

^bStrelitz, J. and Lister, R. (2008), *Why Money Matters: Family income, poverty and children’s lives*, London: Save the Children.

Progress so far in tackling child poverty

1.1 Tackling income poverty and material deprivation is at the heart of the Government’s agenda for promoting fairness and opportunity for all. When children and families experience poverty and deprivation, they have a standard of living that is well below average and which most people would consider unacceptable in Britain today. The research evidence shows that low income and material deprivation are at the core of a complex cycle of interaction between material resources, environmental factors and family circumstances which harm children’s healthy development and their ability to enjoy and achieve in childhood. Child poverty imposes costs on individuals and society alike; poverty blights children’s lives and prevents them fulfilling their potential leading to intergenerational cycles of poverty and disadvantage.¹

1.2 That is why the Government made its historic pledge over ten years ago to end child poverty in a generation.² In the mid-nineties, the UK had one of the highest child poverty rates in the industrialised world, as measured by the proportion of children living in families with a household income below 60 per cent of median income.³ By this measure, child poverty had more than doubled between 1979 and 1997, as a result of a combination of factors including rising unemployment and long-term detachment from the labour market; stagnation in wage levels at the bottom of the labour market; regressive changes to the tax and benefit system; and demographic changes.⁴

1.3 Since 1997, the Government has taken significant steps to tackle child poverty by promoting employment and making work pay through the introduction of the National Minimum Wage and the Working Tax Credit, improving the support and financial incentives to

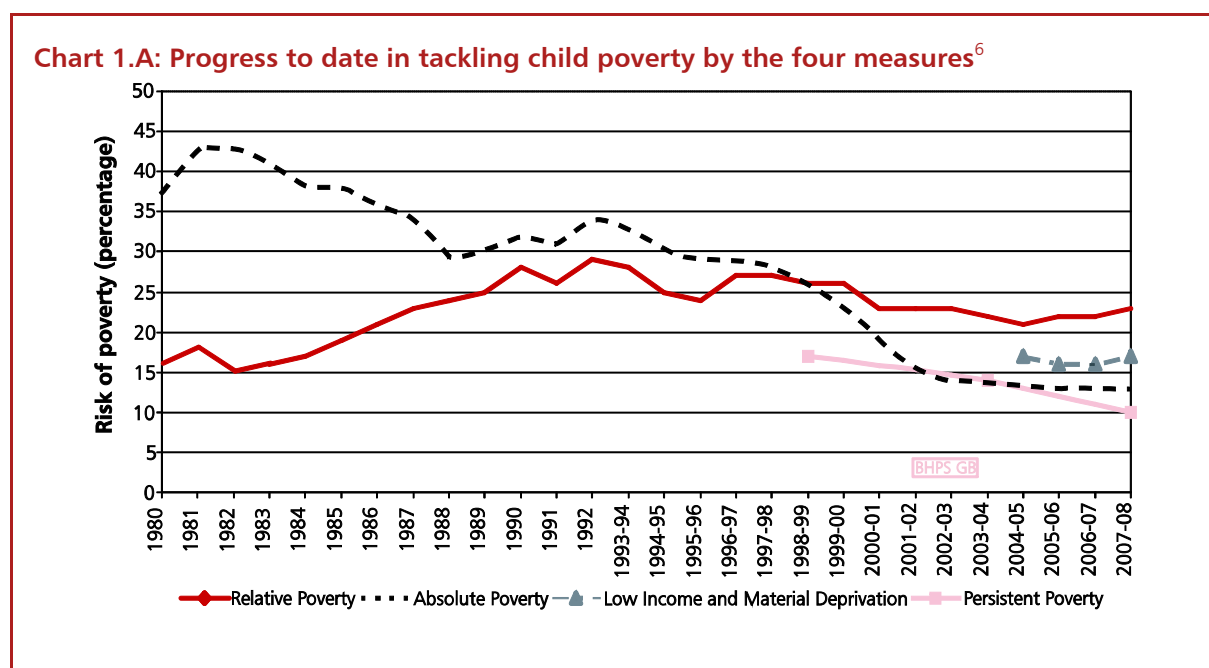
¹ Hirsch, D. (2008) *Estimating the costs of child poverty*, Joseph Rowntree Foundation.

² Blair, Tony. 1999. “Beveridge Revisited: A Welfare State for the 21st Century.” In *Ending Child Poverty: Popular Welfare for the 21st Century*, edited by Robert Walker. Bristol, U.K: Policy Press.

³ Households Below Average Income 2007-08. DWP

⁴ Editors J.Hills, T.Sefton, and K. Stewart (2009) *Towards a More Equal Society? Poverty, inequality and policy since 1997*

work for low income households, providing additional support for families with children and investing in high quality public services to break cycles of deprivation.⁵



1.4 Significant progress has been made. As Chart 1.A shows, relative poverty rose between 1982 and 1990. It remained relatively stable throughout the 1990s before starting to fall from 1998-99. Since then the number of children in relative poverty has fallen by 500,000 (shown in Chart 1.A as a fall from 26 per cent to 23 per cent) and the number of children living in absolute poverty has halved falling from 3.4 million in 1998-99 to 1.7 million in 2007-08 – a fall from 26 per cent to 13 per cent.⁷ This, in itself, is a significant achievement. The risk of a child living in persistent poverty – that is in relative poverty for at least three out of the past four years – has also reduced by around 7 percentage points.⁸

1.5 By contrast, had the Government done nothing other than simply uprate the tax and benefit system since 1997, it is estimated that around two million more children would have been in relative poverty than there are today.⁹

Ending child poverty: making it happen

1.6 The Government is committed to eradicating child poverty and the Child Poverty Bill sets out four challenging UK-wide targets to be reached and sustained from 2020:

- relative poverty – to reduce the proportion of children who live in relative low income (in families with income below 60 per cent of the median) to less than 10 per cent;

⁵ HM Treasury (2009) *Pre-Budget Review*, London See also: HM Treasury (2004) *Child Poverty Review*; HM Treasury (2008) *Ending Child Poverty: everybody's business*

⁶ Family Expenditure Survey figures are for the UK and are used up to 1993-94, Family Resources Survey (FRS) figures are for Great Britain up to 1997-98, and for the United Kingdom from 1998-99, with estimates for Northern Ireland imputed for the years 1998-99 through 2001-02. The reference period for FRS figures is single financial years. Persistent poverty is estimated from the British Household Panel Survey and is for GB and in calendar years, not financial. Persistent poverty rates are shown at the last period of the four years considered.

⁷ DWP (2009) *Households Below Average Income 1994-95 to 2007-08*.

⁸ DWP (2009) *Low Income dynamics, 1991 to 2007 Great Britain* using BHPS data. Figures given are for GB and compare the periods 2004 to 2007 against 1995 to 1998. The three data points represented in the chart cover the years 1995-98 (17 per cent), 2000-03 (14 per cent) and 2004-07 (10 per cent).

⁹ HM Treasury analysis based on a comparison of simulated child poverty levels under today's tax and benefit system and the 1997-98 system indexed to today's prices.

- combined low income and material deprivation – to reduce the proportion of children who live in material deprivation and have a low income to less than 5 per cent;
- persistent poverty – to reduce the proportion of children that experience long periods of relative poverty, with the specific target to be set at a later date; and
- absolute poverty – to reduce the proportion of children who live in absolute low income to less than 5 per cent.

1.7 These four targets are complementary. Income poverty, as captured in the relative and absolute poverty targets, blights children’s lives: it impacts on their health and development; their educational opportunities and outcomes; and on their social lives and relationships. To ensure that children’s lives are not adversely affected by low income means ensuring that children and families have decent living standards and opportunities to participate in activities that their peers take for granted, as best captured in the combined measure of low income and material deprivation. Equally, the length of time that a child is in poverty and deprivation can have a significant detrimental impact on their experiences, which is why the Child Poverty Bill also sets a persistent poverty target.

1.8 At the heart of the Government’s approach is a commitment to work with all partners to tackle poverty in the most effective and sustainable way, based on evidence of the causes and consequences of poverty. This is reflected in the five principles that will guide the strategy, as set out in the 2009 Pre-Budget Report:

- promote work as the best route out of poverty;
- support family relationships and family life;
- facilitate early intervention and prevention;
- promote excellence in delivery, working with all partners to ensure that ending child poverty is everybody’s business; and
- ensure the sustainability, cost effectiveness and affordability of the strategy.

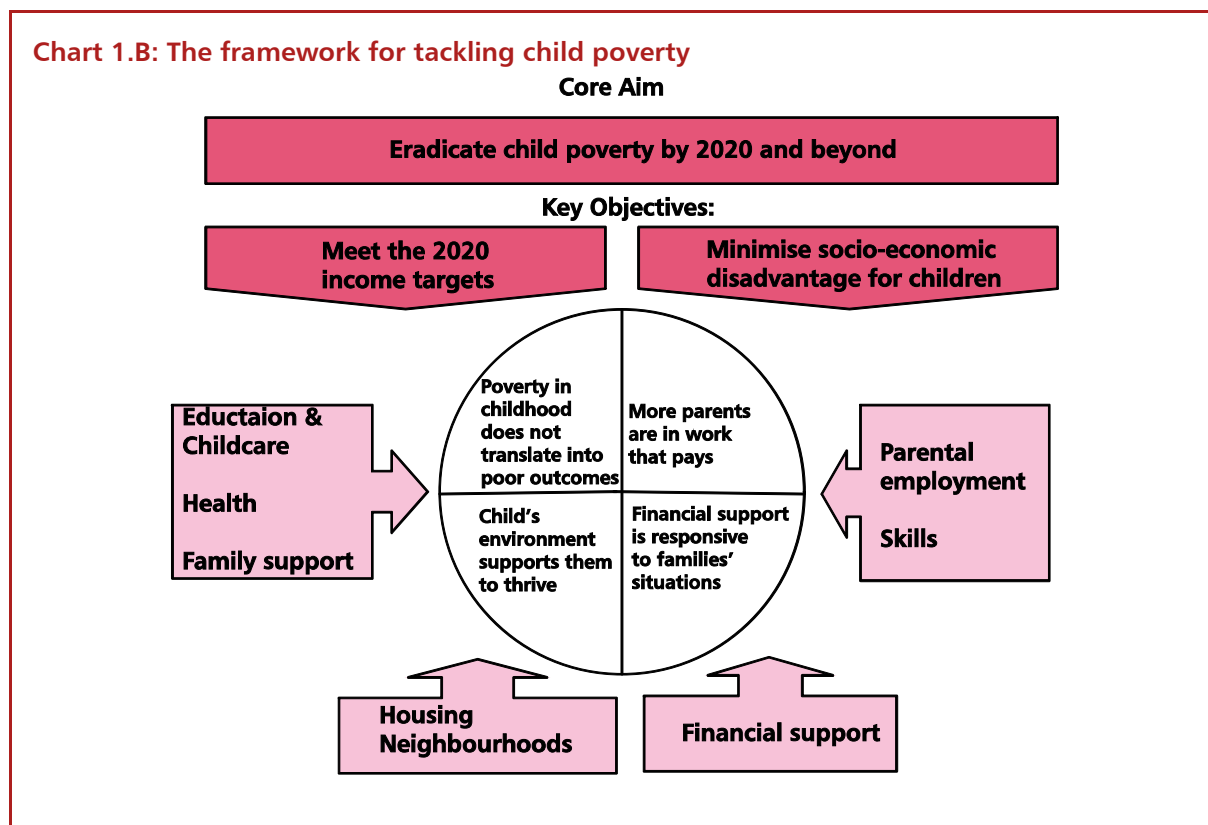
1.9 As set out in the Child Poverty Bill, to drive progress to 2020 the Government will publish a National Strategy within 12 months of Royal Assent of the Bill.¹⁰ Annual reports will then monitor progress towards the Government’s goals and action required to meet the vision. To ensure the strategy is ambitious and achievable, the Government will be setting up an expert child poverty commission, bringing leaders in the field together to provide advice to the Government to inform the National Strategy.

1.10 The National Strategy will set out the action needed to meet the two key objectives of the Bill: to meet the 2020 targets and to minimise socio-economic disadvantage for children. As the two objectives embody, reducing child poverty is not simply about lifting children above an arbitrary income line – it is about transforming the experiences, living standards and life chances of disadvantaged families with children, in order to break cycles of poverty that persist across and within generations.

1.11 Achieving these goals will require action across all the main policy areas or “building blocks”: parental employment and skills; financial support; education and childcare, health and family support; and housing and neighbourhoods. The Bill requires the National Strategy to

¹⁰ The National Strategy will then be revised and refreshed every three years to 2020, to ensure that the most recent evidence and progress is taken into account.

consider what, if any, action needs to be taken in each of the main policy areas. A central task for the National Strategy will be to assign the main policy priorities, based on a review of the evidence about the impact, efficacy and cost-effectiveness of different policy responses within each area.



1.12 To achieve the two goals of meeting the 2020 targets and minimising socio-economic disadvantage for children, the National Strategy must start by understanding which groups of children and families are at greatest risk of experiencing poverty, deprivation and disadvantage. Certain characteristics of families with children, such as being in a workless family, an ethnic minority group, a lone parent family, a large family or having young children and/or a disabled family member, are associated with higher than average risks of experiencing relative poverty. These apply to large numbers of children in poverty.¹¹ There are other very small groups of children and families not captured by the main surveys of household income, but for whom alternative data sources and qualitative evidence suggest the risk of poverty and poor outcomes is particularly high, such as asylum seeking children, Gypsy, Roma and Traveller children.¹²

1.13 The scope of the strategy must therefore be both broad and deep: action is needed that has greatest impact, while also protecting those children and families who are most at risk of experiencing poverty, deprivation and poor life chances. This means identifying and prioritising those groups which are both high in number and high in risk (such as children in workless lone parent families and large families); while making sure that policy reaches groups of children which are small in number but have the greatest risk.

1.14 The National Strategy will need to take into account the Government's wider efforts to improve equality and reduce discrimination and disadvantage for all, at work, in public and political life, and in people's life chances. For example, the Government is also legislating to introduce a new Equality Duty on public bodies to promote equality, eliminate discrimination,

¹¹ Households Below Average Income, 2007-08

¹² Child Poverty Action Group (2005) *At Greatest Risk: The children most likely to be poor*, (ed) Gabriella Preston.

and advance equality of opportunity. The New Opportunities White Paper 2009,¹³ and the response to the Milburn Review on Fair Access to the Professions,¹⁴ also make clear that tackling child poverty is an essential part of the Government's wider efforts to promote social mobility and ensure fair chances for all.

Understanding the scale of the challenge to 2020

1.15 Meeting the 2020 target to reduce the number of children living in relative poverty is a significant challenge. The Government estimates that there will be around 2.3 million children in relative poverty in 2010-11 – a projected reduction of around 1 million children since 1998-99. Internal modelling¹⁵ suggests that without a 2020 child poverty strategy there could be 3.5 million children (25 per cent) children in relative poverty in 2020 and 1.7 million (13 per cent) children in absolute poverty in 2020.¹⁶ Even if the estimated fall in relative poverty to 2010 were sustained there would need to be around a further 1 million reduction in the number of children in relative poverty to meet the 2020 target.

1.16 Modelling child poverty has significant limitations. It makes no explicit assumptions about improvements in progression or skills, or improving family friendly working practices and as such does not capture the impact of many of the "building blocks" that are known to be important in breaking intergenerational cycles of poverty. In addition, the modelling does not make any estimate of the potential impact of the recent change to lone parent obligations.

1.17 The drivers of these estimates are also subject to uncertainty. Each of the assumptions that feed the overall estimates are themselves based on a variety of assumptions and subject to modelling limitations, and so should only be read as indicative of how trends might develop over time. These estimates will be updated on an annual basis, not only to account for new data, but to update and improve the assumptions that feed these child poverty estimates.

1.18 Nevertheless the modelling shows clearly that taking no further action to tackle child poverty over the next decade will result in child poverty increasing by 2020. The scale of the challenge calls for continued commitment.

Meeting the challenge: thinking about the 2020 targets

1.19 This section illustrates ways in which relative child poverty could be reduced in line with the target and the potential contribution of increases in employment rates and reductions of in-work poverty.

1.20 Modelling constraints shape the analysis presented here – limiting it to the impact of employment, increases in hours and levels of benefit take up. The model used does not capture the impact of dynamic effects such as changes in work incentives and is unable to capture the impact of improvements in other "building blocks" such as health, education and skills that are key to breaking intergenerational cycles of poverty. The modelling is an illustration of the magnitude of the impact various factors might have on child poverty in 2020, rather than a representation of the Government's desired course of action. For example, the actions will need to vary depending on a range of factors, including by the age of children or the incidence of

¹³ Cabinet Office (2009) *New Opportunities White Paper- Fair Chances for the Future*

¹⁴ The Panel on fair access to the professions (2009) *Unleashing aspiration: The Final Report of the Panel on fair access to the professions*

¹⁵ Modelling by the Child Poverty Unit using the DWP 2020 model. See Annex A for details.

¹⁶ The current measure of absolute child poverty is the number of children with an income below the 1998-99 60 per cent median income threshold updated in line with prices each year. To ensure it remains a robust measure of poverty, from 2010-11 the Government will use a 2010-11 threshold as the baseline for the absolute poverty measure, as set out in the Child Poverty Bill. Using this measure, the Government estimates that around 1.7 million (13 per cent) children will be in absolute poverty in 2020. Due to the change in the baseline it is therefore worth noting that the 2007-08 figure (of 1.7 million) and 2020 figure (of 1.7 million) are not exactly comparable.

disability in the family. However, this analysis is useful to demonstrate the size of the challenge and to inform discussion of the relative importance of various factors that could help meet it.

Table 1.A: Modelling the importance of employment to 2020

Model outputs	Number of children
Lifted out of relative poverty	2,100,000
Reducing out of work poverty though increased parental employment rates that bring the UK in line with OECD averages and the best performing European countries:	
A 75 per cent lone parent employment rate - newly employed lone parents working 16 hours per week ¹⁷	450,000
50 per cent of low income unemployed/inactive couples work- main earner works 30 hours per week and second earner works 16 for hours per week ¹⁸	200,000
Reducing in-work poverty through increased hours and increasing the employment rate of second earners:	
50 per cent of working lone parents increase their hours to 16 hours per week	Negligible
50 per cent of main earners in working couples increase their hours to 30 hours per week	50,000
60 per cent of low income potential second earners into work 16 hours per week ¹⁹	250,000
Improved skills, skills utilisation and in-work progression further reduces incidence of in-work poverty by half	650,000
80 per cent reduction in non-take up of benefits and tax credits	250,000
Tackling intergenerational cycles of poverty:	
20 per cent fewer children born to teenage parents	50,000
Other ²⁰	200,000
<i>Source: Child Poverty Unit analysis of DWP 2020 model. Details of assumptions and modelling approach are found in Annex A.</i>	

1.21 The model highlights that tackling child poverty is not just about raising financial support. It assumes existing support and that the UK achieves employment levels for parents that are comparable with OECD averages and top performing countries in Europe, demonstrating that supporting all families and improving the opportunities available to parents can have a significant impact on levels of child poverty. For example, reducing in-work poverty by a third from its current level would lead to a reduction in child poverty of around 450,000, reducing in-work poverty by a half would reduce child poverty by around 650,000.

1.22 Achieving the magnitude of changes modelled here requires strong, stable economic growth. This underlines that securing the recovery and providing the platform for growth and opportunity, including through maintaining the path of fiscal consolidation, are essential to

¹⁷ This puts the UK above the OECD average of 68.9 per cent but below the top performing countries for example Sweden who have a lone parent employment rate of 81.1 per cent.

¹⁸ This would still put the UK below the top performing countries such as Sweden.

¹⁹ This would close the employment gap between low income partnered mothers and all other partnered mothers in working families.

²⁰ This represents other impacts that are not captured in this model for example inter-generational effects and changes in other household income.

reducing child poverty in line with the targets. Achieving the targets would also require the UK to further improve its flexible, skilled and dynamic labour market. Barriers to entering employment would need to reduce and there would need to be greatly improved progression in work for parents underpinned by increased skill levels, and skills utilisation by employers, alongside progress on the other “building blocks”. Chapter 2 sets out the scope for achieving this.

1.23 The model also illustrates the potential impact of greater take up of existing support and spreading existing best practices. The increases modelled would require the communication of the benefits available to improve, and other mechanisms for delivery to be identified, shared and implemented. For example, the modelling assumes a reduction in children born to teenage parents in line with the achievements in some local areas. Chapter 4 sets out the potential in achieving excellence in local delivery.

Institute for Fiscal Studies modelling of financial support to meet the relative child poverty target

1.24 The Institute for Fiscal Studies (IFS) illustrate how the 2020 target for relative poverty could, in theory, be met through financial support measures alone.²¹ They model the impact of increasing benefits and tax credits for families with children faster than for those without children and increasing the Working Tax Credit for couples relative to lone parents. The IFS estimates the changes they model would cost £19 billion per year in current prices.

1.25 Their analysis is also static and does not therefore take into account the dynamic effects of the changes modelled. The measures in their analysis increase out of work incomes and therefore reduce incentives to work. While it is not possible to estimate the exact impact on the labour market, it is highly likely that such an increase in out of work support would lead to reduced employment running directly counter to the Government’s principle that work is the best route out of poverty. Indeed, the IFS themselves recognise that the Child Tax Credit package would dull the incentives to work and that the impact of this has not been reflected in the modelling.

1.26 The IFS analysis therefore demonstrates that while it may be possible to reach the targets in 2020 based on financial support measures alone, such a strategy would be both costly and unsustainable, because it does not tackle the causes of poverty. It is only through empowering and supporting families to lift themselves out of poverty that the 2020 targets could be met and sustained beyond 2020.

Sustainable solutions: breaking cycles of poverty

1.27 While such modelling underlines that there is no single solution to tackling child poverty the insights it gives are partial. The Bill specifies the “building blocks” because the Government recognises that poverty is caused by a range of related disadvantages. If socio-economic disadvantage is understood as the inability to access the broad range of resources which help a child to fulfil his or her potential, then a successful approach must improve access to all these resources – material, physical, educational and social – particularly in the early years of life. Chapter 3 looks at these issues in more detail.

1.28 Sustainability also means that eradicating child poverty has to be part of a broader strategy for ensuring high and sustainable levels of economic growth and maintaining sound public finances over the long term.

²¹ Institute for Fiscal Studies (2010) *Cost of cutting child poverty rises as families fall further below poverty line*

Conclusion

1.29 This chapter has set out, at a high level, the progress made towards eradicating child poverty over the last decade and that the scale of the remaining challenge calls for continued commitment. It has illustrated that there is potential to make significant inroads toward the relative poverty target through increases in employment rates and reductions in in-work poverty, and that sustainable eradication will depend on this being complemented by improvements in life chances through support for all families and early intervention. Chapters 2 and 3 consider in more detail what has been achieved in both of these areas over the last decade and the scope for further progress suggested by that experience and international evidence. Ending child poverty is everybody's business and Chapter 4 sets out the need for action across UK Government, Devolved Administrations, public, private and voluntary sectors, local authorities and delivery partners. That is why the Government is legislating in the Child Poverty Bill to introduce duties to ensure that all local authorities and partners work in partnership to create local child poverty strategies.

Box 1.A: The role of the Devolved Administrations

Alongside the UK strategy, the Devolved Administrations will each produce strategies to cover the non-reserved areas.²² The UK Government will continue to work closely with all three Devolved Administrations to promote consistency in the policies that are being delivered for children across the UK so that our respective child poverty strategies complement one another.

This document will cover reserved policy areas for all of the UK, and in policy areas that are mainly or wholly devolved, will present evidence and policy relating to England only. Reference to "the Government" is in relation to the UK Government, unless specific reference is made to the Devolved Administrations. While there may be some differences in the challenges facing the Devolved Administrations, there is considerable scope for learning and sharing best practice across the jurisdictions as illustrated by the Devolved Administrations case studies used in this paper.

²² Scotland and Northern Ireland are required by the Child Poverty Bill to publish their own strategies setting out action they propose to take to tackle child poverty and contribute toward the UK-wide targets. Wales has introduced its own legislation on child poverty (the Children and Families (Wales) Measure). This requires Welsh Ministers to publish their own child poverty strategy that will contribute to the UK targets.

2

Promoting employment as the best route out of poverty

“I feel a lot better about myself with working. I don’t feel as though I’m taking something and not giving it back. I could claim social security, but I’m putting something back in now, because I’m working and paying my national insurance, you know, I think of it that way”.^a

^a Female, 39 years old, couple family, in sustained work. Graham, J., Tennant, R., Huxley, M. and O’Connor, W. (2005), Role of work in low-income families with children - a longitudinal qualitative study. DWP Research Report 245.

2.1 This chapter sets out that promoting paid employment and making work pay would make considerable inroads toward eradicating child poverty. It considers action to increase employment and reduce in work poverty over the past decade; and the scope for further progress suggested both by that experience and international evidence.

The importance of paid parental employment for tackling child poverty

2.2 Paid employment is the single most important factor in reducing the risk of poverty. This is illustrated by analysis of the difference in such risks between children in families where parents are working, and where they are out of work.¹ The most important driver of poverty for all groups – including ethnic minority groups, lone parent families and families with disabled members – is a higher risk of worklessness.²

2.3 Work is associated with better family and childhood outcomes more broadly.³ Employment is associated with better physical and mental health and improved well-being for parents.⁴ It can foster a sense of self-confidence and self esteem. On average, children in workless families experience poorer health and do worse at school than those in working families.⁵

2.4 Over the past decade the Government has consistently sought to enable people to move into work and to help people retain their jobs and progress, matching jobseekers with employment that is fulfilling and that fits with the rest of their lives.⁶ Action taken to date has begun to address many of the factors that influence parental decisions about entry into work and which have historically caused some parents to move repeatedly or frequently in and out of the labour market:

- **The tax and benefits system** – the introduction of tax credits and the National Minimum Wage have helped make work pay;

¹ Households Below Average Income 2007-08

² See, for example, Platt, L. (2009) *Ethnicity and Child Poverty*, DWP

³ For a comprehensive review see Waldfogel, J. (2006) *What Children Need*

⁴ Waddell, G. and Burton, A.K. (2006) *Is work good for your health?*; Brinkley, I. et al. (2008) *Hard Labour: Jobs, unemployment and the recession*

⁵ *Ibid*

⁶ DWP White Paper (2009) *Building Britain’s Recovery*; HMT (2008) *Ending Child Poverty: Everybody’s Business*; HMT (2004) *Child Poverty Review*

- **Childcare availability and affordability** – the childcare element of the Working Tax Credit and the provision of free childcare for three and four year olds have reduced the costs of childcare for working families;
- **Skills, productivity and progression** – the Government has taken concerted action to respond to the global economic context for skills policy and improve the UK's performance. Programmes such as Train to Gain have been launched to help people enter and progress in employment and, from August 2010, the new adult advancement and careers service will provide high quality careers information, advice and guidance to help individuals make the best choices;
- **Long-term illness and disability** – additional targeted help has been rolled out to help people overcome the barriers imposed by their health conditions;
- **Opportunities to balance work with family life** – since 1997, the Government has taken significant steps to help people balance work and family life through measures such as increased leave options for parents and the introduction of the right to request flexible working. The Government showed its continued commitment to working with both employees and business to create more opportunities to work flexibly by setting up the Family Friendly Working Hours Task Force at the end of 2009. This Task Force published its report, which put forward expert advice on how to create more quality flexible working opportunities, on 15 March 2010;⁷
- **Broader action on inequality** – the Government is taking forward action to address wider inequalities, including persistent gaps in pay by gender, ethnicity and disability, as highlighted by the recent National Equality Panel report.⁸ For example, the Ethnic Minority Employment Task Force is leading efforts across Government to tackle the ethnic minority employment and pay gap, with advice from the Ethnic Minority Advisory Group;⁹ and
- **Financial exclusion and financial capability** – the Growth Fund has provided 240,000 affordable loans worth almost £104 million to low-income households since 2006, 49 per cent of whom were lone parents and 72 per cent were unemployed.¹⁰ The Government, in partnership with the Financial Services Authority, launched a national Money Guidance service in March 2010. The service provides free and impartial information and guidance on personal finance to help families take control of their finances.

2.5 The Government has also been clear that those who can work have a responsibility to do so. The Government's welfare reforms have placed stronger requirements on benefit recipients to take up the help that is available, either to seek work or to prepare for work in the future. For example, the new Work Capability Assessment for those with health conditions focuses on what those currently on incapacity benefits can do, rather than what they cannot do. The Government has also rolled out reforms to require lone parents with older children to seek work, with family friendly safeguards so they can look for work that fits with school hours.

⁷ DWP (2010) *Flexible Working: working for families, working for business*

⁸ *Ibid*

⁹ The taskforce is chaired by the Minister for Employment and Welfare Reform and is made up of ministers across national government and representatives from the Equality and Human Rights Commission, Confederation of British Industry, Local Government Association, the Trades Union Congress, London Development Agency and the Ethnic Minority Advisory Group.

¹⁰ DWP Management Information

2.6 Action to date has made a difference. For example, the lone parent employment rate has increased by 12.1 percentage points since 1997,¹¹ and the number of children in workless families has fallen since 1997.¹² In 2006, 85 per cent of UK workers said their working hours could fit family/social commitments well or very well (versus an EU average of 79 per cent).¹³ And 70 per cent of workers reported having the option of working flexibly if needed.¹⁴

Promoting employment in the decade ahead

2.7 Putting parental employment at the heart of a successful child poverty strategy will require a strong and growing economy that offers opportunity for all. The recessions in the 1980s and 1990s brought with them increases in long-term unemployment that contributed to the upward pressure on child poverty to 1996-97. That is why the Government has taken decisive action to strengthen support in response to the recession including the Young Person's Guarantee, additional support for the minority of adults reaching 6 months unemployment, and 15,000 additional frontline Jobcentre Plus staff to continue to provide personalised support to help jobseekers find work quickly.

2.8 Employment support must also continue to be refined to address the factors that prevent parents from moving into work and causes them to move in and out of the labour market. This means building on what has been put in place to date and learning the lessons of that experience. For example, the Government has built on the successes of the New Deal for Lone Parents with the creation of the Flexible New Deal in response to feedback from parents.

2.9 Policy and public services will need to continue to become more responsive to the barriers that individuals and families face. Experience over the past decade has shown that people looking for work need different levels of support. Some people need help with active job search to keep them close to the labour market. Others need more intensive and personalised support, perhaps with gaining appropriate skills, building confidence, managing health conditions, or finding childcare. Others may not be able to work right now, perhaps because of caring responsibilities or their own health issues, but want support to keep their skills up to date so they can go back to work in future.¹⁵ Personalisation of support services is therefore essential to meet the differential range of people's needs. Some parents still consider the costs of childcare to be prohibitive; and lack of transport continues to constrain many parents in deprived areas from moving into work.¹⁶

2.10 Today in the UK there are around 1.4 million poor children living in families where no one is working, and around 1.5 million children in working families who experience poverty (though the numbers of working families experiencing material deprivation are lower).¹⁷ As rates of worklessness have decreased, the importance of tackling in-work poverty has therefore been underlined, and achieving the 2020 targets will therefore also require reductions in in-work poverty.

2.11 The Government is committed to better understanding the issues facing these families. For example, the National Strategy will need to address the particular issues that impact on the decisions of potential second earners in couple families. In 2007-08 there were around 700,000

¹¹ The latest GB lone parent employment rate was 56.9 per cent (Q2 2009). It has increased by 0.6 percentage points over the year, and by 12.1 percentage points since 1997, an increase of 365,000 lone parents in work. Source: Household Labour Force Survey.

¹² Households Below Average Income 2007-08

¹³ The Fourth European Working Conditions Survey 2007

¹⁴ The work life balance survey: <http://www.berr.gov.uk/files/file38388.pdf>

¹⁵ DWP (2009) *Building Britain's Recovery: Achieving Full Employment*

¹⁶ Meadows P (2008) *Local initiatives to help workless people find and keep paid work* Joseph Rowntree Foundation; McQuaid R, Furtés V and Richard A (2010) *How can parents escape from recurrent poverty* Joseph Rowntree Foundation

¹⁷ Households Below Average Income 2007-08

children living in poor couple families where only one adult was in work.¹⁸ Enabling the other partner in these families to take up paid employment, compatible with family commitments and family life, will be a vital part of tackling in-work poverty. Many of these partners state that the primary reason why both parents are not working is because they are choosing to look after their children rather than work.¹⁹ Recent research indicates that parents' employment decisions are influenced by the type of employment available, the financial benefits of moving into work, including concerns about financial insecurity or loss of benefits, the costs and nature of childcare available, and perceptions about all these considerations.²⁰

2.12 Many of these factors can be influenced by government strategy at national and local levels – while respecting family decisions the Government can facilitate and improve the options open to families. Policy must strike the balance between encouraging work, and supporting family life. The Government's guiding principles are that families with very young children should be supported to make the choices that are right for them including staying at home or working part time when the children are small, as many parents want to do. This is already reflected in the tax credits and benefits system, and the respective focus of public services for parents of children of different ages, including greater support for families with young children via the Health in Pregnancy grant, expansion in parental leave arrangements and investment in Sure Start Children's Centres, as detailed further in the next chapter.

2.13 The Government will need to harvest the opportunities presented by scaling local innovation and learning. It will draw on the latest evidence from the child poverty pilot programmes as well as learning from those areas and regions which are leading the way in developing good practice to support parents entering sustainable employment.²¹

Box 2.A: Case Study: Moving the long term unemployed into work

Newham's Mayor's Employment Project aims to emphasise the financial benefits of being in work to the long term unemployed. It comprises a dedicated set of advisors who focus on people who are long term unemployed or who come from workless households.

The Project offers a guarantee to residents that they will not be worse off in work and will top up Housing Benefit for a year if necessary. An experienced Housing Benefit officer is employed to work exclusively on the Project and is based alongside a team of employment advisors. A Citizens Advice Bureau advisor is also available to provide independent, comprehensive in-work benefits advice and ensure clients are receiving maximum in-work support.

Since its launch in October 2007, the project has helped 222 people (including 120 parents) into work. 73 per cent of these people had been unemployed for at least three years. On average, residents using the project find themselves £81 per week better off.^a Building on this success the council has agreed to continue the project beyond its original lifespan, up until 2011.

^aLondon Borough of Newham. Majors Employment Project internal evaluation data

2.14 The National Strategy will need to consider where there is most scope to improve interventions and impact child poverty from across a number of interrelated areas:

¹⁸ Households Below Average Income 2007-08

¹⁹ Collard, S. and Atkinson, A. (2009) Making decisions about work in one earner couple households, *DWP research report 560*

²⁰ Ray, K., Hoggard, L., Vegeris, S. and Taylor, R. (2010) Better Off Working: work, poverty and benefit cycling. *Joseph Rowntree Foundation*; McQuaide, R., Fuertes, V. and Richard, A. (2010) How can parents escape from recurrent poverty. *Joseph Rowntree Foundation*; Metcalf, H. and Dhudwar, A. (2010) Employers role in the low-pay/no-pay cycle. *Joseph Rowntree Foundation*.

²¹ For example the work focused services and the Childcare Affordability Pilots both aim to increase parents' chances of entering paid employment.

- **Improving Skills and Productivity** – in the UK, low pay tends to be concentrated among groups of workers with lower skill levels. In its response to the Leitch Review, the Government identified increasing skills levels and improving skills provision as effective tools for tackling family poverty.²² Realising the vision set out in the Leitch Review could make a significant contribution to meeting the child poverty targets.²³ Employers can improve their productivity by raising the skills of their employees, and by better utilising these skills in the workplace. Working with employers to increase employer demand for and investment in skills – including managers’ skills – will be critical for the National Strategy.
- **Delivering on the Government’s Childcare Strategy** – there is a need to cement the vision set out in the childcare strategy, which is for childcare to be accessible, affordable, high quality and flexible to the needs of both parents and their children. For some parents the actual and perceived lack of quality, accessible and affordable childcare is a reason given for not seeking employment.²⁴ A large proportion of families in workless and working poverty have young and/or large families.²⁵ Just under two-thirds (62 per cent) of non-working mothers from families experiencing the highest level of multiple disadvantage say they would prefer to work if they were able to find high quality childcare which is convenient, reliable and affordable.²⁶
- **Family friendly working** – the Government’s long-term ambition is to ensure that flexible working practices are embedded in all businesses across the UK, so that all employees are able to discuss opportunities for flexible working with their employer from day one of employment, or even pre-employment. The public sector must lead the way in promoting family friendly flexible and part-time work as employer and exemplar. Alongside that employers and employees need practical support and advice to make effective flexible working practices a reality.
- **Addressing broader inequality** – some social groups are more likely to experience low pay, even when skills, qualifications and other barriers are taken into account. As the National Equality Panel’s recent report highlights, progress has been made in narrowing the gap in educational and qualification outcomes for different groups such as women, some minority ethnic groups and disabled people.²⁷ However this has not yet fully fed through into improved and fairer employment outcomes. Discrimination, occupational segregation and a lack of educational attainment or recognised skills are all factors that may contribute to lower rates of pay amongst minority ethnic groups. Action to address in-work poverty in the National Strategy therefore will need to address the reasons for low pay amongst these groups.
- **Financial support** – efforts to promote parental employment must continue to be combined with sustainable, affordable financial support which is responsive to families’ needs and changing circumstances, and which lifts children out of poverty where the parents are not able to work. Ensuring that every family receives the support it needs and to which it is entitled is a key part of the child poverty strategy. At present families do not always take up the benefits to which they are entitled, either due to a lack of information or unwillingness to engage with the

²² Department for Innovation, Universities and Skills (2007) *World Class Skills*.

²³ Dickerson A and Lindley J (2008) *Parental qualifications and child poverty in 2020*. Joseph Rowntree Foundation.

²⁴ Quality, accessibility and affordability are all key issues that affect take up of childcare and therefore the employment decisions of parents. Quality and accessibility are considered further in Chapter 3.

²⁵ HM Treasury (2008) *Ending Child Poverty: everybody’s business*.

²⁶ Department for Children Schools and Families (2008) *Understanding Attitudes to Childcare and Childcare Language among Low Income Parents*.

²⁷ National Equality Panel (2010) *An Anatomy of Inequality in the UK*.

benefits system. To help ensure more parents are aware of what they can claim, local practitioners who work directly with families will soon be able to use a new Government produced guide to benefits and tax credits, which will allow staff to advise parents of what support is on offer, who is eligible for it and how they go about claiming.²⁸ In addition, financial support provided by a non-resident parent can also help alleviate poverty and meet the additional costs of being in a lone parent family, whilst regular contact with non-resident parents can be important for children's happiness and well-being. In April 2010, a full child maintenance disregard for those on income-related benefits is introduced. This measure should lead to more children seeing the benefit of child maintenance. This, alongside other reforms to child maintenance introduced in October 2008 and beyond, will contribute to tackling child poverty.

- **Tackling debt and financial exclusion** – debt and lack of savings can exacerbate the experiences of low-income families. It makes families more vulnerable to sudden income shocks, such as losing a job, and more likely to experience low standards of living. The Government is doing more to encourage assets and savings, through the Child Trust Fund and the Savings Gateway, as well as promoting access to bank accounts for the households of children living in poverty.²⁹

Box 2.B: Case study: Supporting vulnerable families to take up benefits and tax credits in Wales

The Children's Disability Benefit Take Up Campaign is a two year scheme which involves the Citizens Advice Bureau working with disability organisations to deliver appropriate, expert advice to increase benefit uptake for families with disabled children. Families are referred to bureaux across Wales through a network of partners including GPs, health visitors, social workers, specialist schools, integrated children's centres, carers organisations and disability groups. In the first six months of the scheme the campaign has helped over 415 clients, with over £278,463 generated in confirmed gains for these clients.

A bureau in South Wales saw a client who is a single parent, with three young children - two of whom suffered from disabilities. The client - who had left an abusive relationship - had no financial means of supporting herself. Previous claims for benefits had not been successful.

With the bureau's advice and support, the client was able to have her benefits claims reinstated and processed within two days of her contact with the bureau. This included the receipt of backdated Housing Benefit and Council Tax Benefit which cleared her arrears.

The client was unaware she could claim the Child Tax Credit so the bureau made a claim on her behalf to include disability elements for her children. To date, the client has had financial gains of over £15,000 with more significant sums expected to be due to her.

Scope to make inroads against the targets

2.15 International evidence underlines the potential impact that further increases in parental employment could have on child poverty, as demonstrated in Chapter 1. If the UK could match the best in Europe in terms of rates of parental employment achieved, for lone parents and couple families alike, it would make significant progress toward being amongst the best in

²⁸ HM Government (forthcoming) *Helping you help families: the Government's guide to financial support*. The guide will be available from the Child Poverty Unit website.

²⁹ The Government measures financial exclusion by households who positively affirm that they do not have access to a bank account.

Europe in terms of child poverty. For example, international evidence shows that reforms that both reduce household joblessness and increase numbers of dual-income families would be particularly effective in the UK.³⁰ International evidence also underlines that promoting employment must be combined with making work pay. Learning lessons from other countries will therefore be key in developing the strategy. Importantly, countries such as Sweden and Denmark achieve much higher levels of lone parent employment combined with low levels of child poverty, despite having a similarly high proportion of children living in lone parent families as in the UK.³¹

Table 2.A: Employment, poverty and worklessness rates in OECD countries

		Risk of family income below 60 per cent of median ³²	Proportion of children in jobless families ³³	Sole-parents in paid employment, 2007 ³⁴
			Children aged 0-14	Sole parents aged: 15-64
Large EU	United Kingdom	23	17.6	53.1
	France	17	8.9	71.3
	Germany	15	9.9	65.5
Scandinavia	Denmark	9	7.2	82.0
	Sweden	13	4.8	81.1
	Norway	10	-	69.0
OECD average		-	8.7	68.9

Conclusion

2.16 This chapter has underlined the Government's commitment to promoting paid parental employment in ways that are compatible with family life. It has highlighted the key areas the Government will need to consider in developing the National Strategy including: improving skills and skills utilisation; delivering on the childcare strategy; promoting family friendly working; tackling debt and financial exclusion; financial support; and addressing broader inequality. The next chapter examines the scope for further progress to transform children's life chances and so tackle the underlying causes of worklessness and poor labour market outcomes.

³⁰ Whiteford, P. and Adema, W. (2007) *What Works Best in Reducing Child Poverty: A Benefit or Work Strategy?* OECD Social, Employment and Migration Working Paper 51.

³¹ Source: OECD families database 2008.

³² Source: Eurostat EU SILC 2008 data

³³ Source: OECD families database 2008 – jobless families are families where the family has no parent in work.

³⁴ Source: OECD families database 2008

3

Transforming children's life chances

"Yeah, sometimes. If I feel quite low, I hope the kids don't pick up on it but I am sure they do sometimes. My daughter will say "come on Mum, give me a smile" and I think oh no. Your partner comes home and you're watching the telly and you're like "why can't we go out", you know. You work six days and on Sunday you want to go somewhere other than the park."^a

^aStrelitz J and Lister R (2008) *Why Money Matters: Family income, poverty and children's lives* Save the Children

3.1 This chapter sets out why, alongside efforts to promote parental employment and increase household income, action to increase life chances for tomorrow's parents must be at the heart of a sustainable child poverty strategy. It highlights the Government's action to date across areas that have the most impact in reducing poverty over the longer term and the scope for further progress building on that foundation.

Breaking inter-generational cycles of poverty

3.2 Over the long term, preventing early disadvantage and giving all children the chance to fulfil their potential will be key to a sustainable eradication of child poverty. The evidence presented by the National Equality Panel, chaired by John Hills, demonstrates that inequalities begin at the earliest stages of life and accumulate at each subsequent phase of the life course.¹ Interventions later in life – although still critical – are far less effective without excellent early underpinnings.² Many of today's young people will be parents in 2020 – improving life chances is not only important for breaking the cycle of poverty it is a necessity for meeting the 2020 targets.

3.3 The evidence points to four key areas which will have the most impact in lifting children out of poverty over the longer term and have positive effects for future generations:

- **Giving every child the best possible start in life** – the foundations of children's life chances are put in place even before the child is born. What happens in pregnancy and the first years of a child's life lays the foundations for virtually every aspect of their future development – physical, cognitive, language, social, emotional and behavioural.³ Ensuring that families are supported during the crucial first years of life is particularly important, because research shows that the effects of income tend to be greater in early childhood than in later childhood.⁴ Gaps in child development are evident as early as 22 months.⁵

¹ National Equality Panel (2010) *An Anatomy of Inequality in the UK*

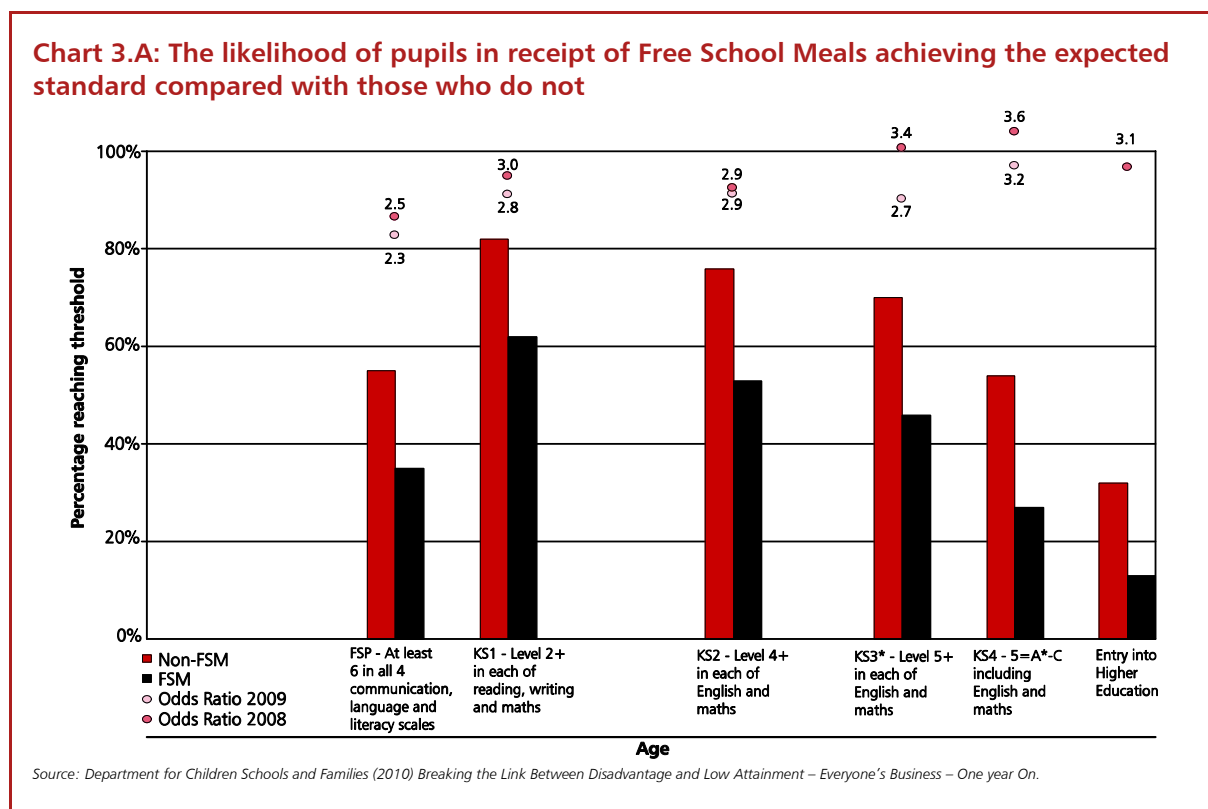
² PMSU, DH, DCSF (2010) *Maternity and Early Years Review*

³ *Ibid*

⁴ Plewis et al. (2008) *Changing economic circumstances in childhood and their effects on subsequent educational and other outcomes* DWP Research Report Working Paper 49

⁵ Feinstein, L.(2003) 'Inequality in the early cognitive development of British children in the 1970 cohort', *Economica*, 70: 73-98. These inequalities are also found in the cohort studied by the Millennium Cohort Study

- **Narrowing gaps in attainment** – children’s attainment and learning experiences are key drivers of future outcomes which makes narrowing the gaps between disadvantaged children and their peers one of the key priorities for breaking the cycle of poverty.⁶ Early gaps can set up a continuing cycle of underperformance. In fact, pupils who are in the bottom 20 per cent of attainers in the Early Years Foundation Stage (EYFS) are six times more likely to be in the bottom 20 per cent at Key Stage 1 than their peers.⁷ The gap widens at Key Stage 1 and then remains roughly stable, at around a third of the odds of achieving as well as their affluent counterparts, through to age 19.⁸ As Chart 3.A shows, this gap is narrowing but it remains substantial.⁹



- **Promoting smooth transitions to adulthood** – for most young people, their transition to adulthood helps to set them up for success, but some face issues in this period that can have significant long term consequences. There is a correlation between being Not in Employment, Education or Training (NEET) and future outcomes and those who find themselves in these circumstances are much more likely to come from poorer backgrounds.¹⁰ Men who are unemployed early in their lives are 20 per cent more likely to be unemployed later in life.¹¹ People who are NEET are also more likely to suffer from poor physical health and depression.¹² However, improving young people’s life chances is not just about helping them to

⁶ DCSF (2009) *Breaking the Link Between Disadvantage and Low Attainment*

⁷ Department for Children Schools and Families internal analysis of Early Years Foundation Stage 2007 and Key Stage 1 2009 data.

⁸ DCSF (2009) *Breaking the Link Between Disadvantage and Low Attainment.*

⁹ FSM has value as an indicator of deprivation as it is available at school as well as system level; it links objective and checked information about family income to the child’s full school record including attainment and it focuses on a relatively small group, roughly the bottom 15 per cent by family income. The weaknesses of FSM include the following: not all children eligible for FSM are registered accordingly, either for administrative reasons or reluctance of parents to claim and there are children who are ineligible that are in fact equally poor.

¹⁰ DCSF (2008) *Youth Cohort Study and Longitudinal Study of Young People in England: The Activities and experiences of 17 year olds: England 2008*

¹¹ Arulampalam, Booth and Taylor (2000) *Unemployment Persistence, Oxford Economic Papers 52 p43*

¹² Centre for Longitudinal Studies: *British Birth Cohort Study 1970*

find employment – there is overwhelming evidence that it is staying in education and taking jobs with training that has the greatest impact on future outcomes.¹³

- **The influence of the family** – families are key to providing supportive, nurturing and stimulating environments for their children – they are the biggest single influence on child outcomes.¹⁴ This was an important message of the Families and Relationships Green Paper published in January this year.¹⁵ Although family has an even greater effect on children’s life chances than socio-economic status,¹⁶ the two are intimately connected because families in poverty find it harder to support and bring up their children to the best of their ability. Lack of resources affects parents’ aspirations, beliefs, stress, relationships and ability to provide for their children, which makes it more difficult to provide a supportive environment and engage in their children’s learning.¹⁷

3.4 All of these areas are highly interdependent. Young people are most likely to move on to positive labour market outcomes if they have done well in education or training and they are more likely to do well at school if they arrive with sound foundations for learning. Running parallel to these areas and mitigating disadvantage is the influence of a supportive, nurturing and engaged family. Chapter 2 provides a backdrop to these interdependencies - improved life chances will only be fully realised if there are improved opportunities in the labour market. This is important not just for poverty but for broader outcomes. The Marmot Review on Health Inequalities sets out that a focus on tackling poverty and economic inequality will bring rewards for reducing other life inequalities such as health and healthy life expectancy as well as helping to achieve the wider Every Child Matters outcomes.¹⁸

Progress to date

3.5 Over the past decade substantial work has been put in train to give children the best start in life, to narrow attainment gaps in school, promote smooth transitions to adulthood and support families. The Government has taken action to:

- **Improve maternal health and well being** – the Government has radically improved the entitlements for mothers and fathers to take time off around the birth of a new baby, giving families new flexibility and choice about how to balance work and family life in the first year of their child's life, and allowing them to divide paid leave between them for the first time. Extra financial support is now given to parents during pregnancy via the Health In Pregnancy Grant - a one off payment of £190 - while the Family Nurse Partnership programme pilot provides a structured, intensive home visiting programme from early pregnancy until the child is two years old.
- **Expand availability and access to high quality, early years services** – the Government has invested heavily in support for young children and their families, through expanding early years support services – more than doubling childcare provision since 1997. The flagships of the Government’s investment in early years services are the Sure Start Children’s Centres, of which there are now more than 3,500. They have brought groundbreaking improvements to the activities, support and networks universally available to families within their own communities. The Early Years Foundation Stage, introduced in September 2008, provides a play-based

¹³ Youth Cohort Study

¹⁴ O'Connor, T. and Scott, S., (2007). *Parenting and outcomes for children*. York: Joseph Rowntree Foundation.

¹⁵ DCSF (2010) Support for All: the Families and Relationships Green Paper

¹⁶ PMSU, DH, DCSF (2010) *Maternity and Early Years Review*

¹⁷ DWP (2009) *Research Report No 594: Living with poverty. A review of the literature on children’s and families’ experiences of poverty*

¹⁸ UCL (2010) *Strategic Review of Health Inequalities in England Post 2010* (Marmot Review)

framework for learning, development and care from birth to five and the Government is committed to attracting, retaining, and developing the best people in the childcare sector.

- **Tackle low levels of attainment concentrated in the most deprived areas and schools** – schools have had unprecedented increases in funding since 1997 – up 83 per cent per pupil in real terms.¹⁹ The Government has set out its plans for protecting school funding²⁰ and is consulting on the distribution of school funding to ensure that funding is distributed fairly, transparently and responds to the needs of children and young people.²¹ There have been focused efforts on narrowing attainment gaps between children from more disadvantaged backgrounds and their peers.²² From January 2009, local authorities have been required to set targets for attainment of Free School Meals (FSM) pupils in addition to those for seven ethnic minority groups that are nationally under-performing.
- **Support young people to stay on in education, training and work based learning** – the 16-24 Participation Strategy²³ and the Raising the Participation Age Delivery Plan, both published in December 2009, show the steps being taken at a national and local level to ensure that all young people participate and achieve higher qualifications and skills allowing them to move on to further learning or employment.²⁴ Reforms to 14-19 education are giving young people the right learning routes, financial support and information to help them do this. Strengthening support for 18-24 year old jobseekers has been a consistent Government priority, including, most recently a fast-track entry to New Deal for 18 year olds who have spent 26 weeks NEET and the Young People's Guarantee of a job, training or place in a community taskforce for 18-24 year olds who have been unemployed for six months.
- **Increasing resources to support all families** – the Government is helping families provide good home learning environments to their children through the provision of Parenting Support Advisors and the distribution of free books. Parents experiencing relationship issues can get advice through Family Information Direct and government funded services from Relate. For families with more complex needs and facing multiple disadvantages, local authorities now provide support to parents of 8-13 year olds with behavioural issues through Parenting Early Intervention Projects (PEIPs). There are now 32 Family Intervention Projects (FIPs) that provide intensive support to turn around the most chaotic and dysfunctional families. Projects deliver a multi-agency support package, led by a key worker, to address the needs of the whole family.

¹⁹ DCSF Departmental Report 2009

²⁰ DCSF (2010) *Investing for the future, protecting the front line: school funding 2010-13*

²¹ DCSF (2010) *Consultation on the future distribution of school funding*

²² *Public Service Agreement (PSA 11)*

²³ DCSF, DWP and BIS (2009) *Investing in Potential: Our Strategy to increase the proportion of 16-24 year olds in education, employment or training*

²⁴ DCSF (2009) *Raising the Participation Age: supporting local areas to deliver*

Box 3.A: Case Study: A Family Intervention Project in Newcastle

A family was referred to the Newcastle Child Poverty FIP with a history of worklessness, abuse, parental alcohol misuse and depression, domestic violence, mental health problems, overcrowding and debt issues. A single key worker provided and agreed a contract with the family, children and adult services setting out the support that would be provided for individual family members and the family as a whole. This covered alcohol misuse, counselling and overcoming the effects of abuse, improving learning and parenting skills and help to address overcrowding and debt.

The outcomes for the family were extremely positive: the mother and grandmother attending basic literacy and numeracy courses; the mother beginning to apply for jobs; a reduction in parents' alcohol use; the family placed on a priority housing list; the children were able to take part in a range of activities during the summer holidays; improved attendance at school and the father and grandfather being more involved with parenting tasks.

- **Housing and neighbourhood renewal** – the Government set a clear target to bring all social housing up to the Decent Homes standard and tackle the £19 billion backlog of council housing repairs left in 1997. Over £40 billion in total will have been invested by the end of 2010, 2.5 million children will have had their homes improved and as a result 92 per cent of social homes are now expected to be decent. In addition the Government is investing £235 million to deliver 3,500 new or refurbished play spaces and 30 new staffed adventure playgrounds by 2011.

3.6 Action to date has made a difference. Evidence demonstrates that the achievement gap between the less well off and more advantaged children has started to narrow.²⁵ Among younger children results are improving twice as fast for children in the most deprived areas compared to the least deprived areas.²⁶ Participation rates have also been increasing steadily since 2004, matched by increasing proportions of young people attaining at level 2 and 3 by the age of 19. In line with this the proportion of 16 year olds NEET is at its lowest level for more than a decade.²⁷ However, there is much still to do, especially given the challenges of the current economic situation: employment rates are down and the proportion of 18 year olds NEET rose to 16.6 per cent, which is the highest level since 1992.²⁸

Toward a sustainable 2020 strategy

3.7 The Government believes that the National Strategy for the next decade must cement and build on current action, whilst also going much further where necessary to meet the 2020 targets and minimise disadvantage. The kinds of changes required to break intergenerational cycles of poverty and disadvantage require sustained and continued effort. The strategy will need to consider where there is most scope to improve intervention further and make additional impact on child poverty, including:

- **Ensuring that all children, including the most at risk of poverty, deprivation and disadvantage, are given the best possible start in life.** Whilst the achievement gap in early years development is starting to narrow, there are still groups of children who consistently enter school at a significant disadvantage to their peers. The

²⁵ DCSF (2009) GCSE Attainment by Pupil Characteristics, in England 2008/09

²⁶ As defined by The Early Years Foundation Stage Profile which covers six areas of learning covering children's physical, intellectual, emotional and social development. DCSF (2010): *Early Years Foundation Stage Profile Attainment by Pupil Characteristics, in England 2008/09*

²⁷ DCSF (2009) *Statistical First Release: level 2 and 3 attainment by young people in England measured using matched administrative data: attainment by age 19 in 2008*

²⁸ DCSF (2010) *NEET Quarterly Brief December 2010*

Government will need to consider how it can strengthen the links between services for maternal and infant health and the wider services offered in children's centres, further improve the quality of provision in early year settings, and support parents in accessing childcare.

Box 3.B: Case study: increasing access to children's services in Bradford

The Child Development Grant Pilot aims to help increase the take-up of services offered by Children's Centres by the most deprived families with children under three. Pilot authorities draw together detailed local data sources (amongst them IDACI and Acorn profiling, registration of live births data, worklessness and benefits data, nursery uptake and EYFS results) to inform targeted outreach aimed at parents most in need. Identified families are then offered a financial incentive to access services and support for up to 16 weeks, based on an assessment of their needs and a personal action plan.

Bradford is one of the larger pilots and aims to reach just short of 4,000 families across 16 centres over two years.

- **Narrowing the attainment gap in schools between the most and least advantaged children and young people.** The gap is narrowing but there is still more variance in attainment, both between schools and especially between pupils in the same school than in the some other countries.²⁹ There is scope for significantly accelerating the reduction through sharing best practice and targeting the groups with the lowest attainment building on reforms such as The School Report Card and Pupil and Parent Guarantees which will improve school accountability for providing better outcomes for disadvantaged children.

Box 3.C: Case Study: Narrowing the gap in Tower Hamlets

Tower Hamlets is a Beacon authority with large numbers of ethnic minority groups and its GCSE results are amongst the most improved in the country. In 2008-09 42 per cent of pupils eligible for FSM gained 5+ A*-C grade GCSEs including English and maths in Tower Hamlets - this compares with 27 per cent nationally.

This significant improvement has been achieved through a local child poverty strategy that covers; partnership working, focusing on equality and closing equality gaps, implementing school development advisors and improving both community and parental engagement in education.

- **Helping young people avoid risks, and continue in education and training and move on to secure and stable employment.** By 2020 it is predicted that there will be three million fewer low skilled jobs meaning that the importance of participating in education and training is only going to increase.³⁰ The new 16-24 Participation Strategy and Raising the Participation Age Delivery Plan set out policy priorities for giving young people a smooth transition to adulthood and reducing the likelihood of them and their children living in poverty. The National Strategy will build on the

²⁹ OECD Programme for International Student Assessment (PISA)

³⁰ Lord Leitch (2006) *Prosperity for all in the global economy – world class skills*

help that is available for 18 to 24 year old jobseekers such as the Young Persons Guarantee and the Future Jobs Fund.

Box 3.D: Case study: tackling NEETs in South London

The Royal Borough of Kingston upon Thames Connexions South London Sub Regional Unit (RBK-SRU) manages the Connexions Service across six boroughs, designed two successful projects to tackle NEETS. The first: Destination EET, gives young people a support worker during Year 11 who could tackle some of the barriers that were damaging young people's confidence about progressing into learning and give them opportunities to find out more about post 16 opportunities beyond school. The second project: Staying the Course, provides Year 12 students at risk of dropping out, with a programme of individualised learning and support focused on their future progression plans.

Having been originally identified as being at high risk of NEET, 66 per cent of the Destination EET students have progressed and over 85 per cent of the Staying the Course participants have completed Year 12. In many cases there were significant improvements in their attendance and academic performance.

- **Support for parents** – evidence shows that effective home learning environments are found less often in deprived contexts, where material resources may be fewer, housing may be over-crowded and familial social networks more restricted.³¹ The Families Green paper underlined the importance of helping parents to promote their child's healthy development, engage in their child's learning; and to reduce pressures that adversely affect the quality of family relationships.

3.8 Action needs to be directed not just at the easiest to reach groups but also at those most at risk such as teenage parents or ethnic minority groups like Gypsy, Roma and traveller children. For example there are 60,000 looked after children in England. Although there is little chance of this group being in low income poverty as they are looked after by the state or by foster families, they experience substantially worse life chances than other children. This can be seen in their educational achievement – in 2008 just 14 per cent gained 5 GCSEs at A*-C and a third did not gain any GCSEs.³²

Conclusion

3.9 This chapter has underlined the Government's commitment to transforming children's life chances, by giving every child the best possible start in life and an equal opportunity to fulfil his or her potential. Over the past decade we have taken significant action to tackle early inequality and remove the barriers and disadvantages that hold children back. But there is more to do: over the next decade the Government believes it must ensure a step-change in efforts to minimise disadvantage and break inter-generational cycles of poverty, focusing resources where they will have the most impact.

3.10 The next chapter sets out the potential contribution that excellent delivery of whole family services and effective partnership working has to help in achieving the changes in parental employment, in-work poverty and life chances of disadvantaged children and young people that will make a difference to child poverty.

³¹ DCSF (2009) *Breaking the Link Between Disadvantage and Low Attainment*

³² DCSF (2009) *Statistical First Release (SFR) on Outcome Indicators for Children Looked After, Twelve months to 30 September 2008 - England*

4

Excellence in delivery and the importance of place

“You try not to let it get to you. I try not to think about it even. But when you walk up the shops and you past (sic) the houses that have been boarded up, and the pub that has been burnt out and the park that is covered in glass, dog mess and good-knows-what, it does get to you...You feel forgotten and it doesn't feel good”.^a

^a Lone-mother on Income Support, caring for one child aged four years. Bostock (2001) in Ridge, T *Living with poverty: A review of the literature on children's and families experiences of poverty* DWP

4.1 As set out in *Ending Child Poverty: Everybody's Business* the Government's vision for the next decade is a situation where everybody plays their role in tackling child poverty¹. It is only through government, communities, local authorities, Devolved Administrations, service providers, employers and families working together that child poverty can be eradicated and a fairer society with equality of opportunity for all created. Evidence shows us that tailoring approaches effectively to local circumstances and building on the best learning from local actions across the country can achieve real results.

The importance of place and local innovation

4.2 This paper has shown that to reduce poverty in line with the 2020 targets, the National Strategy will need to build on foundations laid over the past decade and take further action to promote employment, tackle in-work poverty, and improve children's life chances. The National Strategy will need to be informed by the considerable variation in the issues and challenges faced by different local areas. It will also need to consider evidence about what works in tackling child poverty locally from the child poverty pilots, Beacon authorities and local areas that have prioritised tackling child poverty.

4.3 There has been an increased spatial concentration of poverty over the past thirty years.² Evidence suggests that amongst the 10 per cent most deprived areas,³ 59 per cent of children are, on average, living in income deprived households, while in some of these areas the rate is over 99 per cent.⁴

4.4 The area in which children grow up affects their life chances and their parents' prospects for gaining secure and sustainable employment. Those living in the most deprived areas tend to have substantially poorer educational outcomes, employment rates and levels of wealth.⁵ Opportunities for parents to work are affected by local labour market conditions and regional economic disparities, including variations in the types and levels of jobs available in the local area.

¹ *Ibid*

² Dorling, D. et al. (2007) *Poverty and wealth across Britain 1968 to 2005*, Joseph Rowntree Foundation.

³ This relates to Lower Super Output Areas (LSOAs), which were introduced in 2004 to allow for measurement of deprivation at a smaller spatial scale.

⁴ Communities and Local Government (2007) *Indices of Deprivation 2007, The most deprived decile of Lower Super Output Areas*.

⁵ National Equalities Panel (2010), *An Anatomy of Economic Inequality in the UK*

4.5 Families living within more deprived areas can face additional barriers to accessing services and job opportunities, such as poor transport connections and more limited networks.⁶ Research suggests that unemployed people often have poor knowledge of job opportunities within the local labour market.⁷

4.6 While it is likely that concentrated pockets of poverty will exist in each local area, the needs of those at risk of poverty varies by locality. For example, child poverty in rural areas can be less visible as it is spread over wider areas. These families may be affected by limited employment outcomes – such as low rates of pay, seasonal work and limited access to skills and employment services. Similarly, children’s life chances can be affected by insufficient public transport, limiting access to education and hindering social interaction.⁸ As can be seen from the Cornwall case study below, partnerships can ensure that those in rural communities, with less access to services are targeted with effective outreach services.

4.7 There are substantial social and economic costs associated with children growing up in poverty. Poor health and increased crime are disproportionately experienced by people in poverty. Addressing the issues relating to child poverty now can save money over the long term.

Box 4.A: The Child Poverty Pilots

A programme of eight child poverty pilots is being delivered across local authorities in England to test innovative approaches to tackling child poverty. The pilots are addressing a range of delivery challenges, such as partnership working, and are operating across all of the “building blocks” for example:

- the Child Development Grant pilot, seeks to have positive effects on children’s life chances by encouraging the use of Children’s Centre services;
- the HMRC Outreach pilot is working through 100 Children’s Centres to deliver tax credits advice and services to people who might not otherwise access their services;
- the Work Focused Services pilot involves the co-location of Jobcentre Plus advisers in Children’s Centres and is particularly looking at effective partnership working; and
- pilots are also focusing on those most at risk of poverty- like the Teenage Parent Supported Housing pilot.

The Pilots were announced at Budget 2008 and will run until March 2011^a

^a More information is available at <http://www.dcsf.gov.uk>

Local strategic partnerships

4.8 . As detailed in *Ending Child Poverty, Making it Happen*,⁹ local authorities and their partners are closest to their communities. Local Strategic Partnerships (LSPs) will need to ensure that priorities and policies set out in the National Strategy are translated into local integrated

⁶ See for example DFT (2007) *Evidence Based Review of Mobility Choices & Barriers for Different Social Groups*; Commission for Rural Communities (2009), *Our Response to ‘Ending Child Poverty: Making it Happen’*

⁷ Atkinson, R. and Kintrea, K. (2001) Disentangling area effects: evidence from deprived and non-deprived neighbourhoods, *Urban Studies* Vol. 38, No. 12

⁸ Commission for Rural Communities (2009) *Our Response to ‘Ending Child Poverty: Making it Happen’*

⁹ *Ibid*

services and tailored solutions that deliver better outcomes for the families that are most at risk of poverty in their area. The Government also believes that national government can learn from local child poverty strategies and evidence from the pilots and Beacon authorities about what works in tackling child poverty locally. Such learning will be vital in developing the National Strategy.

4.9 The desire to tackle child poverty has been a driver for many LSPs. The child poverty Beacon authorities are taking action across many of the “building blocks”,¹⁰ and others who have prioritised child poverty through their Local Area Agreements (LAAs),¹¹ through their engagement in running child poverty pilots, or other activity, demonstrate the progress being made in local areas.

4.10 The emphasis of local areas’ approaches to tackling child poverty have differed depending on specific local challenges. Some have focused on tackling worklessness or on raising incomes more generally, while others have focused on health or housing. Others have focused on developing partnerships and collaborative working. For example, through engaging a wide range of partners with the common goal of preventing child poverty, Cornwall Council have been able to understand local need and develop shared ownership of its strategy and targets. Agencies which previously might have worked independently are now working in partnership towards a common objective.

¹⁰ The Beacon areas are Newcastle, Tower Hamlets and Cornwall. They were each deemed to show good practice in tackling child poverty locally. More detail on them is available at <http://beacons.idea.gov.uk>

¹¹ Through LAAs any local areas have already been prioritising tackling supporting parents back into work, promoting the take up of benefits and childcare amongst low income families, or reducing the number of young people not in employment, education or training (NEET), all of which make an important contribution to tackling child poverty.

Box 4.B: Case study – tackling rural poverty in Cornwall

Through their partnership with Jobcentre Plus, Cornwall developed 'virtual wards', which map child poverty across the county. These identify the small pockets of rural deprivation and help develop neighbourhood level profiles which can be incorporated into wider needs assessments.

Cornwall has many small pockets of multiple and persistent deprivation. Despite an overall low poverty rate (16.7 per cent), some areas are as high as 66 per cent. For example, the former district of Caradon in east Cornwall is perceived to be one of the least deprived areas in Cornwall and has historically not benefited from investment in services. However, much of it is rurally isolated and 18 of the area's 53 Super Output Areas¹² fall within the bottom 10 per cent nationally (and almost all in the bottom 20 per cent) in the Housing and Access to Services Domain.

Using a number of tools including the Countryside Agency's rural-proofing toolkit, areas of greatest need have been identified and this informed the development of an outreach programme in the most deprived areas.

Due to limited resources and a lack of suitable community venues, an 'open house' model has been developed based around a drop-in and play session, with a rolling programme of visiting professionals and agencies that provide information, signposting and support from a single point of contact. This approach takes advantage of existing local venues (for example, youth centres, village halls, schools, community centres) across the county.

In the future, Cornwall plans to have teams of staff, drawn from a range of children's services such as health, education, the police and the voluntary and community sector, working together in community based teams from local offices, Children's Centres and schools.

The Child Poverty Bill: building on local progress

4.11 There is great potential to ensure that best practice already seen is carried out more consistently across all local authorities, and with all relevant delivery partners, to drive progress in tackling child poverty at a local level. In some areas services are not currently communicated or coordinated across a locality, or targeted at those in most need, resulting in families not accessing services due to not understanding what is available, being unable to engage with services, or falling through gaps between different agencies.¹³

4.12 The Government believes that, due to their specialisms, third sector and social enterprises can play a key role in providing services for the hardest to reach.¹⁴ Local authorities should therefore build on this and improve existing links with third sector organisations, to make full use of the expertise in meeting the needs of local residents.

4.13 Local partnerships have a vital role to play in coordinating children and adult services, providing families with a range of support through a single point of contact. This can help local areas to target individuals who might not have otherwise accessed services. Working in partnership, services must get even better at supporting the whole person or whole family rather

¹² SOAs are geographical areas designed for the collection and publication of small area statistics

¹³ A Local Authority Delivery Unit report produced for the Child Poverty Unit found that there was a large variation in how local areas defined child poverty, and this influenced how partnerships were tackling the issue.

¹⁴ Home Office Active Community Unit (1998) *Compact on Relations between Government and the Voluntary and Community Sector in England*; LSC, (2009) *Understanding the Contribution of the Third Sector in Learning and Skills*, 2009

than just addressing individual specific issues. Providing services flexibly and in locations familiar to and easily accessible by families, allows parents to more easily access services and providers to integrate services around their customers needs.

4.14 Experience shows that the most important features of local success are:¹⁵

- a strong local partnership which sees child poverty as everyone's business across a range of corporate services and not solely the work of children's services;
- a shared understanding of what child poverty is, its causes and consequences; and
- resulting evidence based strategies and plans that drive delivery of mainstream services and local initiatives for children, families, and parents.

4.15 That is why Government is legislating to introduce new duties on local authorities and their named delivery partners to cooperate to tackle child poverty in their local areas. The local duties of the Child Poverty Bill were developed after extensive consultation¹⁶ and will complement the National Strategy by promoting consistent partnership working, commitment, and action at a local level. As part of their duty to cooperate, local authorities and their named delivery partners will be required to:

- carry out a local child poverty needs assessment to identify the characteristics, needs and issues of local areas and residents;¹⁷ and
- prepare a joint local child poverty strategy setting out the contribution that each partner will make and address the issues raised in the needs assessment.

4.16 The Bill's duties set a framework to ensure that local partners are empowered to work together to tackle child poverty in their area, understand the local nature and drivers of child poverty, and bring together their activities into a coherent and comprehensive strategy that responds to those issues. Named partners in the Child Poverty Bill (which includes district authorities, police, probation, transport and health authorities, along with Jobcentre Plus) are each expected to consider their possible impact on child poverty.

4.17 The Government recognises that the characteristics of local populations and the structure of local services vary greatly across the country, and the precise action required to tackle child poverty will also differ. This is why the Government believes it is vital for local partnerships to conduct effective needs assessments to inform the development of a strong and targeted strategy. Understanding who is most at risk of poverty, and why, is essential to help local areas target the causes and consequences of poverty within their local area.¹⁸

4.18 The Bill's duties will be informed by, and embedded in, the wider work of the LSP, for example, through the duty to produce a Local Economic Assessment to understand the economic condition of the local area, and through the requirement that the Children and Young People's Plan sets out the arrangements the Children's Trust Board will make to reduce and mitigate the effects of child poverty. Local partners should, wherever possible, develop their child poverty needs assessments by using existing and emerging data, analysis, and research.

¹⁵ Other factors, such as buy-in local leadership (including elected leadership), and the inclusion of child poverty and associated indicators in the LAA, can also play a role. Evidence from the Child Poverty Beacons.

¹⁶ Child Poverty Unit (2008), *Ending child poverty: Making it happen*.

¹⁷ These assessments are in addition to joint strategic needs assessments. Local authorities should collect quantitative and qualitative evidence to inform this. However, they can build on the underpinning analysis in things like the JSNA, local economic assessment and childcare sufficiency assessment. Local authorities should, where possible, use existing data and processes; and we expect local action to be embedded within the existing structures and strategies of LSPs.

¹⁸ The LADU analysis showed that a strong local needs assessment, showing child poverty was a key issue is the most important factor in determining whether local partners prioritise child poverty. CLG (2009) *LSPs and Child Poverty Project*.

4.19 Sustainable Communities Strategies (SCS), will in future, have to have regard for the new local duties on child poverty. Progress on tackling child poverty will therefore be aligned with other activities and formally embedded in wider local performance management through, for example, the Comprehensive Area Assessment (CAA) and Local Area Agreements (LAA).¹⁹

4.20 The Government recognises that there are challenges in identifying what data, analysis, and information best supports developing a better understanding of child poverty in local areas and that the data available at a national level is not always available at a local level. Formal consultation on the Statutory Guidance on the new local duties will begin as soon as possible after Royal Assent with the expectation that a final version of the guidance will be published by summer 2010 and will provide more information both on what should be available locally and other possible sources of information that can be used to put together a good needs assessment.²⁰

4.21 The Statutory Guidance will detail further support that will be provided by national government to help local authorities fulfil their roles. This includes further details of how local areas can take action across all of the “building blocks”, the named partners they must work with, including the third sector and the importance of action from other non named partners (such as Regional Development Agencies).²¹

Conclusion

4.22 Eradicating child poverty requires action at a national, Devolved Administration and local level. As set out in Smarter Government, national government must enable the most effective action on the ground, making available information and evidence and setting the national enabling frameworks. Local areas can ensure that integrated services are provided for families at risk of poverty.

4.23 Over the next two years more evidence will emerge from the child poverty pilots, initiatives such as the School Gates project and other local programmes to demonstrate how local partners can accelerate progress in tackling child poverty. Improvements in the monitoring of local child poverty performance and initiatives will enable better tracking of the progress of different local areas allowing comparisons of statistical neighbours and a better understanding of what works.

¹⁹ CAAs currently consider four underpinning themes three of which are directly relevant to child poverty – tackling inequality, people whose circumstances make them vulnerable, and value for money. They draw on a wide range of evidence including SCSs, local performance management information, and the views of people who use services.

²⁰ This will vary by area and partners will need to work together both to understand what information they collectively hold and how this can be best brought together to develop a clear picture of the distribution and drivers of poverty in their area. The Child Poverty unit will continue to consider what practical support can be made available to local partners.

²¹ The Guidance will be available on the Child Poverty website: www.dcsf.gov.uk

Box 4.C: Devolved Administrations

The statutory requirements in the Bill only cover English local authorities. Devolved Administrations will publish their own child poverty strategies. The UK Government and the Devolved Administrations will consult each other on the content of the strategies

In Scotland, the National Performance Framework and the supporting national outcomes and indicators set a clear direction for all public services and mechanisms to measure progress. Community Planning Partnerships in Scotland are expected to reflect national policy priorities (including child poverty) within their Single Outcome Agreements and the local delivery plans that underpin them. Scottish Child Poverty strategies will cover effective working with and through local government and delivery partners.

In Wales, the Children and Families (Wales) Measure 2010 places new duties on named public agencies to prepare and publish child poverty strategies. The Welsh Assembly Government will issue guidance to support the implementation of the new duties.

In Northern Ireland a monitoring framework is being developed that will underpin the Northern Ireland Executive's anti-poverty and social inclusion strategy *Lifetime Opportunities*. Monitoring and evaluation frameworks will underpin the Northern Ireland child poverty strategies when they are developed and published, and local council responsibilities will be explored and developed in the context of the first three-year strategy.

5

Conclusions and next steps

Conclusions

5.1 The Government is committed to eradicating child poverty and ensuring that every child is given the best start in life with equal opportunity to fulfil his or her potential. This paper sets out the Government's strategic direction for ending child poverty by 2020 and beyond to inform the National Strategy to be published within 12 months of Royal Assent of the Child Poverty Bill.

5.2 Chapter 1 set out the challenge and shows that child poverty can be reduced in line with the target. Significant progress has been made toward ending child poverty since 1997. Whereas child poverty doubled over two decades previously, it was stabilised from 1996-97 and then fell by 500,000 between 1998-99 and 2007-08. By contrast, had the Government done nothing other than simply uprate the tax and benefit system there would be around two million more children in relative poverty today. But the Government believes more needs to be done across all the main policy areas or "building blocks" to reach and sustain the targets set out in the Child Poverty Bill. Internal modelling confirms that increasing parental employment, and addressing in work poverty could make a major contribution to achieving the Government's goals.

5.3 Chapter 2 set out why employment is central to reducing poverty and improving wider outcomes for parents and children alike. There are large differences in risks of poverty and material deprivation for those in and out of work. Encouraging work, and making work pay have been at the heart of the Government's approach over the past decade with some notable successes. Both that experience and international evidence show the scope for further progress, underlining the broad importance of securing the recovery and providing a platform for growth and opportunity. If the UK could improve the availability of part time and flexible work and match the best in Europe in terms of rates of parental employment achieved, for lone parents and couple families alike, it would make significant progress toward eradicating child poverty.

5.4 Chapter 3 underlined that early intervention will be crucial to transforming children's life chances, and securing a sustainable eradication of child poverty for the next decade and beyond. Giving children the best possible start in life is crucial to help every child achieve their potential and therefore break inter-generational cycles of poverty. That is why the Government has introduced policies such as Sure Start Children's Centres and the Health in Pregnancy Grant and extended maternity pay. The strategy will need to build on existing work to promote infant and maternal health, and to ensure that early years education and childcare is high quality and accessible to all families, particularly those who are most at risk of poverty and deprivation. This will create a foundation for efforts to support families to provide a nurturing and stimulating environment for their children, to narrow the educational attainment gap between children who are the most and least disadvantaged, and ensure stable transitions to adulthood.

5.5 Chapter 4 highlighted the importance of a coordinated approach across UK Government and Devolved Administrations; public, private and voluntary sectors; and local authorities and their delivery partners. Excellence in delivery will be needed to support significant increases in parental employment, increase household income and transform the life chances of children from disadvantaged backgrounds.

Next Steps

5.6 In developing the National Strategy the Government will continue to join up with other important work being undertaken to promote equality and opportunity, as highlighted by the National Equality Panel's report on social inequality, Professor Sir Michael Marmot's review on health inequalities and the report by Alan Milburn's panel on Fair Access to the Professions.

5.7 To ensure that the strategy is ambitious and achievable the Government will establish an expert commission in 2010 under the Office of the Commissioner for Public Appointments rules for making public appointments. The Commission will take a lead role in developing the National Strategy helping to set its direction and providing advice on areas to be strengthened.

5.8 In developing the National Strategy the Government will learn from local child poverty strategies, the child poverty pilots and Beacon authorities, about what works in tackling child poverty locally, and directly from the experiences of families who live in poverty in both rural and urban areas. To support local areas build on this progress and produce effective local strategies, the Government is working with partners to put in place a core offer of support including:

- draft Statutory Guidance, to be published shortly, providing further detail on available support and timetables for action. A consultation will be held after publication;
- continuing to work with local councils to develop good practice and support partnerships through the Improvement and Development Agency;
- providing leadership support through, for example, the Government Office Child Poverty Network and Beacon authorities;
- providing advice on sources of evidence and data to inform needs assessments and strategies, such as the data toolkit being developed by the Centre for Excellence in Outcomes;
- sharing with local partners emerging practice and lessons learnt from child poverty pilots and other local initiatives such as the School Gates Employment Support Initiative; and
- developing further the dedicated child poverty website, which can be found at: <http://www.dcsf.gov.uk>

5.9 The Government will also continue to work in partnership across government and with the Devolved Administrations, who will each produce their own strategy.

A Technical overview of poverty modelling

A.1 There is no model that can perfectly forecast what the economy and society will look like in 2020. Forecasting child poverty to 2020 requires knowledge of how the income distribution will change over time. This means understanding how employment levels, future education and attainment, family formation, demographics, and numerous other factors will change over time. It would also mean anticipating any policies that might be implemented in future strategies to tackle child poverty.

A.2 The Department for Work and Pensions (DWP) has built a model using ‘static ageing’ techniques to illustrate how the income distribution might evolve over the next decade. The projections rely on many assumptions and as such are subject to a degree of uncertainty. The model can produce estimates of relative and absolute poverty, but is unable to produce estimates of material deprivation or persistent poverty.

A.3 This modelling approach is similar to that taken by the Institute for Fiscal Studies (IFS) in their analysis of poverty in 2020 for the Joseph Rowntree Foundation.

Detail

A.4 The projections to 2010-11 and 2020 are based on Family Resources Survey (FRS) data. The 2020 projection uses 2006-07 FRS data, consistent with recent IFS projections¹. The 2010-11 projection uses 2007-08 FRS data.

A.5 The demographic structure of the GB population for the projection year is created using a series of grossing factors. These weight the sample FRS data in such a way that, in aggregate, the sample represents the expectation of the population in the given future year. Key assumptions about the population’s age, sex and regional breakdown come from ONS projections. Additional family type assumptions are derived through internal DWP analysis.

A.6 In creating these grossing factors a methodology consistent with that used in the FRS is followed, with the exception that the focus is on grossing with forward-looking projections rather than out-turn information. A SAS algorithm is used which compares control totals against the totals in the raw sample and iterates to find a solution. Details of the controls used are:

- 2020 population totals are controlled to ONS 2006 based population projections for GB. These are provided with a sub-national split, and as such control totals are used across age, sex and Government Office Region;
- the split between in and out of work for working age adults are controlled to 2020 employment assumptions from HM Treasury’s Employment Cohort Model.² These do not take account of the impact of the recent change to lone parent obligations;
- model totals are controlled to the expected number of families with children and lone parent families. These assumptions come from internal DWP modelling;

¹Brewer, M et al (2009) *Micro-simulating child poverty in 2010 and 2020*, for an example of this. This can be found at: <http://www.ifs.org.uk/publications/4434>.

² http://www.hm-treasury.gov.uk/prebud_pbr09_longtermfinances.htm for further details. The model itself is explained in depth in the 2005 Long-term public finance report, which can be found at: http://www.hm-treasury.gov.uk/prebud_pbr05_adlongterm.htm.

- the modelled Council Tax band distribution is controlled to the distribution from the latest year's published data;³
- the forecast number of households in London, Scotland and elsewhere are controlled to assumptions provided by Communities and Local Government (CLG); and
- finally, the distribution of tenure types (local authority renters, private renters and owner-occupiers) are controlled to the latest available distribution from CLG.

A.7 In meeting the grossing totals specified, the SAS algorithm seeks only to produce a feasible mathematical solution, and does not consider any uncontrolled-for population characteristics. As such extensive ex-post validation checks of the grossing solution are undertaken to check for anomalies that could arise in the solution produced.

A.8 The model also takes gross incomes from the survey data and applies rules about the tax and benefit system to model net incomes, which include any income-related benefits and tax credits. A pre-estimated regression equation is applied to estimate the likelihood of take-up of various benefits.

A.9 Key uprating assumptions follow HM Treasury Economic Assumptions (TEAs) over the medium term to 2014-15 with a few exceptions, notably council tax and rent costs, which use internally derived DWP forecasting assumptions. At the time of the last model update the latest available TEAs were the 2009 Pre-Budget Report set. Beyond this time horizon HM Treasury long-term assumptions to 2020 are used.⁴

A.10 The modelling includes policies up to and including those announced in 2009 Pre-Budget Report, and the tax and benefit system is uprated in line with uprating rules laid down in legislation or on record as government policy.

A.11 The results of the model are aligned to Households Below Average Income (HBAI) poverty statistics by scaling the outputs from the model with a ratio of the model output to HBAI for a common year.

Assumptions underpinning illustrative scenario

A.12 The model takes into account the various consequential interactions in the tax and benefit system caused by a modelled change. Potential overlaps of individual options have been accounted for.

Employment and hours options assumptions

A.13 A proportion of the identified group are moved into employment:

- working age couples with children where both are unemployed/inactive (with the main earner altered to work 30 hours and second earner 16 hours);
- working age unemployed/inactive lone parents (with the lone parent altered to work 16 hours);
- working age couples with children where the head works more than 0 hours but less than 30 hours (with the main earner altered to work 30 hours);
- working age lone parents who work more than 0 hours but less than 16 hours (with the lone parent altered to work 16 hours); and

³ Refer to <http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/> for further information.

⁴ Further details can be found at: http://www.hm-treasury.gov.uk/prebud_pbr09_longtermfinances.htm

- working age couples with children where one partner is working and the other is not, and where total gross taxable household income is less than £25,000 per year (with the second earner altered to work 16 hours).

A.14 The individuals selected within these groups to achieve the required proportions are selected randomly. They are therefore representative of the group affected. Those moved into employment receive the National Minimum Wage. Those who already work and see their hours increase are assumed to see these extra hours paid at the same hourly rate as their existing hours. Any out of work benefit income is removed when moving individual samples cases into work. Any changes to income affect the benefit levels they are entitled to.

Improved skills, skills utilisation and in-work progression

A.15 This is estimated by scaling the number of children in poverty in working families in 2020, taking into account the employment and hours impacts in the scenario.

Take-up

A.16 The model can estimate child poverty levels under the assumption of full take-up or estimated actual take-up. We estimate the effect of increasing take-up by scaling the difference in child poverty impacts under the assumption of full take up or estimated actual take-up. Estimated child poverty impacts from increased take-up are modelled in combination with all the hours and employment impacts.

Teenage births

A.17 The teenage births scenario is estimated differently – no changes are made in the model. The poverty risk for those who do not have their first child as a teenager is applied to those that do, and the resulting reduction in the number of teenage mothers in poverty is attributed to the impact of reducing teenage births. This number is scaled to reflect the 20 per cent figure shown in Chapter 1. This method assumes that the causes of teenage pregnancy are addressed such that these individuals subsequently have outcomes that are consistent with that of the non-teenage parent population.

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