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Child poverty and child-well being in the European Union

Policy overview and policy impact analysis

A case study: UK

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1 The nature of child poverty and the underlying factors

1.1 The children affected and the underlying factors

The main national source of data on the prevalence and characteristics of child poverty in the UK is the *Household Below Average Income* (HBAI) series derived from the Family Resources Survey (DWP 2009). It is preferred to EU SILC for national analysis because the sample is much larger (25,000 households). The equivalence scale and the poverty threshold are the same as for the EU estimates (less than 60% of the median equivalised income using the modified OECD scale), though the definition of a child is slightly different – child 0-16 or 0-18 if in education. HBAI reports child poverty rates before and after housing costs but here only before housing costs estimates are given.

Table 1 provides a breakdown of the child poverty rates and composition for 2007/8, the latest data available. The overall child poverty rate was 23%. Child poverty varies by:

- Family type: The risk of child poverty is much higher in families headed by a lone parent (36%) and we know that the UK has a comparatively high proportion of families headed by a lone parent (Bradshaw and Chzhen 2009). However most children in poverty are in two parent families (62%).
- Employment: The higher poverty risk for a child in a lone parent family is partly due to the fact that lone parents have a high level of worklessness and if they are employed it is often part-time. Only 57% of lone mother families have someone in employment, and although this is an increase from 43% in 1997, it is a low proportion as compared both with other types of household and that in other EU countries. The risks of a child being poor are much higher in workless families – whether lone parent (55%) or couple families (68%). They are also higher in families with only one earner (30%). In order to guarantee (almost) that a child is not in poverty in the UK there is really a need for two parents to be in employment. Indeed 57% of all children in poverty have a parent in employment (though not necessarily full-time employment). As shown below, working full-time on the minimum wage and receiving all the in-work benefits and tax credits available is not a guarantee that a child will not be in a household with income below the poverty threshold.
- Family size: The odds of a child being at risk of poverty are much higher if she or he has three or more siblings (33%), though 59% of children at risk have only one or two siblings. Bradshaw et al (2006) found that family size interacts with other factors that drive up the risk of poverty, especially employment and ethnicity.
- Disability: Having a parent or child with disabilities in the household increases the chances of a child being at risk.
- Ethnicity. Child poverty rates are higher among certain ethnic groups – especially Bangladeshi and Pakistani (58%). However 77% of children at risk are in non ethnic families.
- Age of the youngest child. The poverty risk is higher (25%) for families with a child under 5, which is probably due to the fact that mothers are much less likely to be employed with a child of this age. (Such a family is also more likely to be a large one). 48% of children at risk are in households with a child under 5.
- Tenure: The poverty rate is higher for children in socially rented accommodation (52% council tenants and 42% housing association tenants) but 42% of children at risk live in owner occupied dwellings.
- Spatial variation. The HBAI series produces a regional analysis of child poverty and this shows that child poverty rates are highest in the North East Region (28%) and Inner London, West Midlands and Wales (all 27%) and lowest in the South East (15%). However analysis at much smaller spatial levels show that child poverty (as measured by the proportion of children in an area dependent on means-tested benefits) ranges from no children in some Lower Level Super Output Areas to 100% in others. There is also variation at local authority area

level with for example 5.9% of children on benefits in South Northampton and 66.4% in Tower Hamlets in London.¹

Table 1: Child poverty rate and child poverty composition, UK 2007/8

	Child poverty rate <60% median %	Child poverty composition <60% median %	Composition of all children
Economic status and family type			
Lone parent:	36	38	24
In full-time work	10	2	5
In part-time work	22	6	7
Not working	55	30	12
Couple with children:	18	62	76
Self-employed	23	12	12
Both in full-time work	2	1	13
One in full-time work, one in part-time work	4	4	22
One in full-time work, one not working	18	14	18
One or more in part-time work	54	11	5
Both not in work	68	19	6
Economic status of household²			
All adults in work	8	20	57
At least one adult in work, but not all	30	37	27
Workless households	61	43	16
Number of children in family			
One child	18	21	27
Two children	19	38	45
Three or more children	33	41	28
Disability and receipt of disability benefits³			
No disabled adult, no disabled child	20	67	77
No disabled adult, 1 or more disabled child	26	8	7
In receipt of disability benefits	14	1	2
Not in receipt of disability benefits	31	7	5
1 or more disabled adult, no disabled child	35	19	12
In receipt of disability benefits	28	3	3
Not in receipt of disability benefits	36	15	10
1 or more disabled adult, 1 or more disabled child	33	6	4
In receipt of disability benefits	18	1	2
Not in receipt of disability benefits	43	5	2
Ethnic group (3-year average)			
White	20	77	86
Mixed	25	1	1
Asian or Asian British	45	15	7
Indian	28	3	3
Pakistani and Bangladeshi	58	10	4
Black or Black British	30	5	4
Black Caribbean	25	2	1
Black Non-Caribbean	34	3	2
Chinese or other ethnic group	31	2	2

¹ <http://www.communities.gov.uk/publications/communities/childwellbeing2009>

	Child poverty rate <60% median %	Child poverty composition<60% median %	Composition of all children
Age of youngest child in family			
0 – 4	25	48	43
5 – 10	21	29	31
11 - 15	20	19	21
16 - 19	18	5	6
Tenure³			
Owners	14	42	68
Owned outright	24	11	10
Buying with mortgage	12	32	58
Social rented sector tenants	47	44	21
Rented from council	52	26	11
Rented from a housing association	42	18	10
All rented privately	28	14	11
Rented privately unfurnished	28	11	9
Rented privately furnished	29	2	2
Region/Country (3-year average)			
England	22	83	84
North East	28	5	4
North West	27	14	12
Yorkshire and the Humber	26	10	9
East Midlands	26	8	7
West Midlands	27	11	9
East of England	15	6	9
London	23	13	12
Inner	27	6	5
Outer	20	7	8
South East	15	9	14
South West	18	6	8
Scotland	21	7	8
Wales	27	6	5
Northern Ireland	24	4	3
All children	23%	2.9 million	12.8 million

Source DWP (2009)

There are no data on the intergenerational transfer of income poverty but there is evidence on intergenerational mobility by income. There is evidence from the analysis of cohort studies (Blanden and Machin 2007) that the links between the relative incomes of children and their parents appear to have strengthened between those born in 1958 and 1970. This is shown in Table 2.

Table 2: Links between parents' income group and son's earnings 1958 and 1970

Son's earnings at 33/34 (%)	Parent's income group	
	Bottom 25%	Top 25%
In bottom 25%: Born 1958	30	18
Born 1970	37	13
In top 25%: Born 1958	18	35
Born 1970	13	45

Also the links between the income of parents and the educational attainment level of their children may have widened (Blanden and Machin 2007). This is shown in Table 3.

Table 3: Links between parents' income and educational attainment

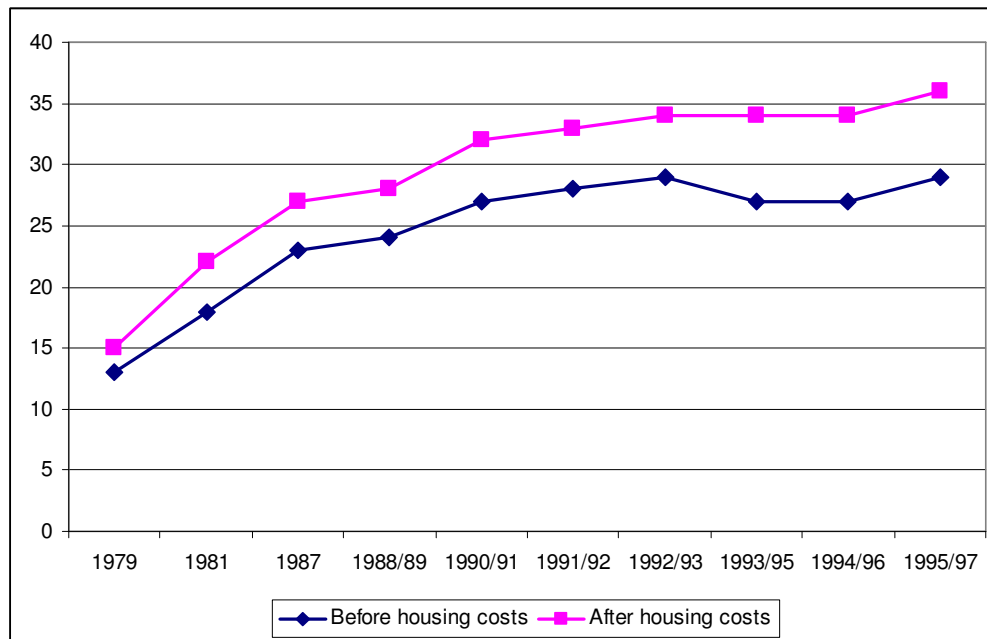
Degree by age 23 (%)	Parent's income group	
	Bottom 20%	Top 20%
Born 1958	5	20
Born 1970	7	37
Born around 1975	11	40
Born around 1979	10	44

Also work by D'Addio (2007) shows that in a comparative perspective the UK has the highest intergenerational earnings elasticity of the 12 countries she covered.

1.2 Trends

From 1961 child poverty rates (using the conventional threshold of 60% of the median) had fluctuated between 11% and 16%, but, as can be seen in Figure 1, the child poverty rate more than doubled between 1979 and 1997.

Figure 1: GB Child poverty rate (% of children in households with equivalised income of less than 60% of the median)



Source: DWP 2009

It is generally agreed that there are three types of factor that led to the increase in child poverty in the 1980s in Britain.

Economic: Unemployment rose sharply at the start of the decade and by 1982 exceeded three million (over 11% of the work force). Towards the end of the decade unemployment fell but rose sharply again in the early 1990s. There were other less cyclical changes taking place in the labour market: it became more insecure, with an increase in part-time, temporary and casual employment, self employment increased and employment became concentrated in fewer households - there was a growth of no-earner and two-earner households. Earnings became more dispersed, declining for the young and unskilled and increasing for the skilled and older, and especially for those working in the financial services sector – the so-called “fat cats”.

Demographic: There was a growth, in particular, in relationship breakdown, and a resultant increase in lone parent families. Lone mothers unable to get access to employment because of a lack of labour demand or unable to be in employment because of expensive, poor quality or scarce childcare, found themselves dependent on social assistance and their children in poverty. The stresses of unemployment have been shown to be associated with an increase in marriage and cohabitation breakdown. Also unemployed young men (at a high level because of the baby boom generation of the 1960s coupled with a low demand for labour) were not good partnership prospects, and pregnant young women increasingly chose lone parenthood (Rowthorn and Webster 2008).

Policy: The Thatcher government was elected in 1979 on a platform to cut public expenditure, taxation and the size of the state. In the end there were real cuts in expenditure only on industry and housing. Expenditure on the other programmes, including social protection, health and education, continued to rise in real terms. But the real increases were not enough to maintain benefits and services in the face

of rising need - from unemployment, family breakdown and an ageing population. In the social protection field there were three measures in particular that helped to drive up child poverty.

- Cuts in housing subsidies, the emasculating of the building programme and council house sales led to increases in real rents and at the same time housing benefits were cut.
- Universal child benefits were not uprated and left to decline in value in real terms.
- Out of work benefits were linked to movements in prices rather than earnings. As the earnings of people in work improved in real terms there was a growing gap between the incomes of those in work and those out of work and dependent on social protection.

All this resulted in a sharp increase in inequality. During the 1980s inequality increased faster than in any other country in the OECD (OECD 2008) apart from New Zealand. Between the mid-1980s and the mid-1990s the UK had the sharpest increase in child poverty of any OECD country and by the time the Labour Government came to power in 1997 it had the highest child poverty rate in the European Union.

In 1999, Tony Blair, the then Prime Minister, announced the government's intention of eradicating child poverty by 2020. New measures were introduced (see below). Child poverty rates began to fall after 1998/99. By 2007/8 500,000 children had been lifted out of poverty and it is estimated that policies already announced but not yet shown in the figures will lift another 600,000 out of poverty in the next year or two.

When Tony Blair announced the child poverty strategy he also set up a process for monitoring its achievements. Since 2001 there has been the annual *Opportunity for all* (DWP 2008) reports. These contain a set of 24 indicators on children which are also targets for government departments. They include indicators covering relative, absolute and persistent income poverty, worklessness, child health, educational participation and attainment, housing, and looked-after children.

The latest results show that 14 out of the 24 indicators have improved in comparison with a base line mainly around 1997 and only 4 have got worse.

Table 4: Opportunity For All indicators for children and young people

Indicator	Covers	Trend since baseline	Direction of latest data
1 Children in workless households	GB		
2 Low income:			
a) Relative	GB		
b) Absolute	GB		
c) Persistent	GB		
3 Teenage pregnancy:			
a) Teenage conceptions	England		
b) Teenage parents not in education, employment or training	England		
4 An increase in the proportion of children in disadvantaged areas	England		
5 Key Stage 2 (11-year-olds) attainment	England		
6 Attainment:			
a) 16-year-olds achievement	England		
b) Schools below floor target	England		
7 19-year-olds with at least a Level 2 qualification	England		
8 School attendance	England		
9 Improvement in the outcomes for looked-after children:			

	a) Education gap	England
	b) Not in Education, Employment or Training	England
	c) Stability in the lives of looked-after children	England
10	16 to 18-year-olds in learning	England
11	Infant mortality	England and Wales
12	Serious unintentional injury	England
13	Smoking prevalence for:	
	a) Pregnant women	England
	b) Children aged 11 to 15	England
14	Obesity for children aged 2 to 10	England
15	Re-registrations on Child Protection Register	England
16	Housing that falls below the set standard of decency	England
17	Families in temporary accommodation	England

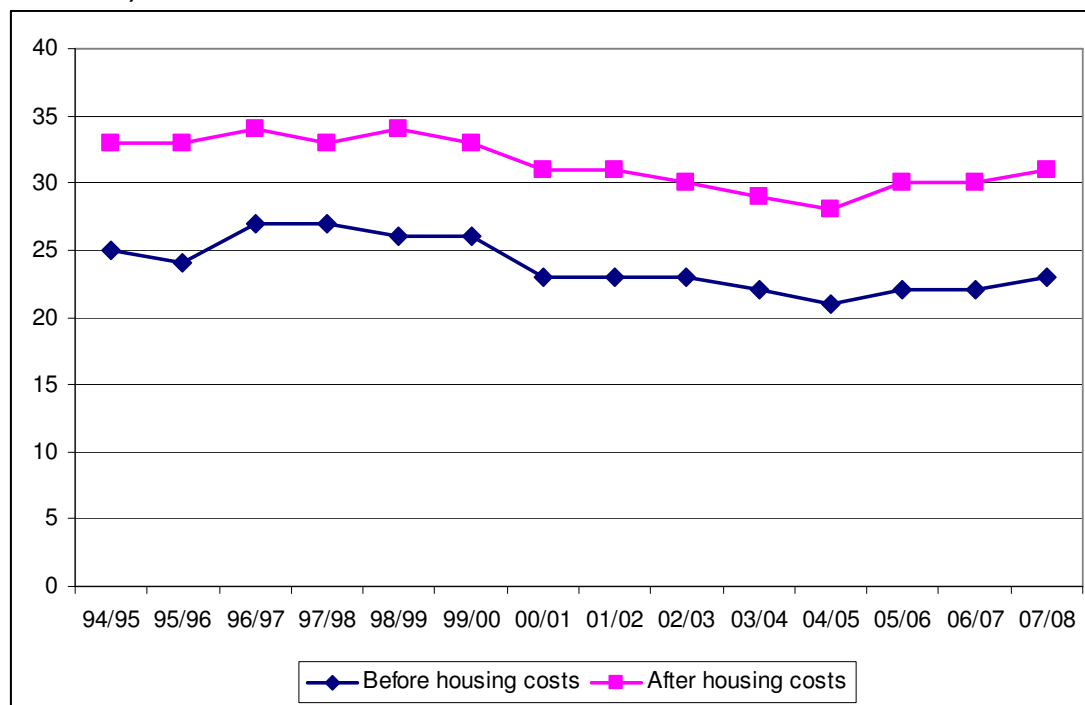
Source: <http://www.dwp.gov.uk/publications/policy-publications/opportunity-for-all/indicators/table-of-indicators/#a1>

In international comparisons, the UK has also improved. In the OECD comparisons of family spending as a proportion of GDP (which are better than the Eurostat data because they take account of tax expenditures), the UK has moved up the international league table and by 2005 was in third place after France and Luxembourg (<http://www.oecd.org/dataoecd/55/58/38968865.xls>). According to the OECD (2008), child poverty had increased between the mid 1990s and the mid 2000s in most countries – the only exceptions in Europe were Belgium, Hungary, Italy and the UK. The EU comparisons based on EU-SILC show that the UK no longer has the highest income poverty rate in the EU and does rather better in the league table if economic strain or material deprivation is used as indicators of poverty (EU 2008). Also the UK does rather better using a poverty gap measure than it does using a poverty rate measure.

In many ways this is a remarkable record. If the Government had done nothing since 1997 than simply uprate benefits in line with inflation there would have been 1.7 million more children in poverty than there were in 1997-98 (HM Treasury 2008). Families with children in the bottom quintile of the population will be around EUR 5,000 better off in real terms by 2010. The increases in spending have benefited children at the bottom of the income distribution most (see HM Treasury (2008) chart 4.1).

However in the end the hopes raised by the Blair announcement have been disappointed. The child poverty rate in 2007/8 is still double the level it was in 1979. The Government set itself a number of targets in 1999. It promised to reduce child poverty by a quarter by 2004/5, by a half by 2010/11 and eradicate it by 2020. It missed the 2004/5 target – child poverty fell by 23% before housing costs and 17% after housing costs. It is now almost certain it will miss the 2010 target. There has been no reduction in child poverty since 2004/5 (see Figure 2) and the April 2009 budget announced very minor measures that cannot close the gap. The number of children at risk of poverty needs to fall by 1.2 million to achieve the 2010 target and this will cost an extra EUR 4.5 billion (if it was to be achieved by raising Child Tax Credits). The current estimates are that it will miss the target by 600,000 (Brewer et al 2009).

Figure 2: UK Child poverty rate (% of children in households with equivalised income of less than 60% of the median)



Source: DWP 2009

The child poverty targets are now three fold:

- Reducing the proportion of children on relative low income (less than 60% of the median) to 5-10% by 2020.
- Reducing the proportion of children in material deprivation combined with low income (less than 70% of the median) to a level approaching zero by 2020.
- Continuing progress on persistent poverty to ensure that no child experiences poverty for prolonged periods. (Child Poverty Unit 2009).

1.3 Absolute and extreme poverty

There is no official measure of absolute or extreme poverty used in the UK. Instead there are a variety of alternative measures published.

They are:

- % children below 50% of the median. The percentage in 2007/8 was 12%.
- % children in households with incomes below 60% of the median fixed at a point in time. In 1998/99 terms it was 26% and had declined to 13% by 2007/8.
- % children in households with incomes below 70% of the median and scoring 25% or more on a prevalence weighted list of deprivation items. This measure was introduced in 2004/5 when the rate was 17% - it was still 17% in 2007/8.
- Persistent poverty - % children living in poverty for each of the last three out of four years. This series is derived from analysis of the British Household Panel Survey. In 1997-2000 17% of children were living below the 60% of median threshold in the last three out of four years. By 2003/2006 that had fallen to 10%. Adelman et al (2003) found that 9% of children were in severe and persistent poverty (defined as poor in three or more years and at least one year in severe poverty²). Children in severe and persistent poverty were more likely to live in lone parent families who were long term unemployed.

² Child and child's parent materially deprived and household income less than 40% of the median.

2 Impact and effectiveness of policies in place

2.1 Overall approach

When the Labour Government came to power in 1997 they were at first extremely cautious. During the election they had promised no tax increases and a commitment to stick to the existing Conservative spending plans for the first two years in office. However the bones of an anti-poverty strategy began to be developed which eventually had the following key elements.

Manage the economy to maximise employment. This was a remarkable success. By 2008, the labour participation rate of both men and women were at record levels and 75% overall, unemployment was the lowest it had been for many decades at about 5%. Even the lone parent participation rate had risen from 43% in 1997 to 57% in 2008.

Work for those who can. Economic management to enhance labour demand was associated with a range of supply side policies. Initially these were the New Deals – welfare to work programmes covering young unemployed, lone parents, people with disabilities, older workers and many other groups. Evaluation of these schemes suggested that they made a modest contribution to increased labour supply. So-called welfare reform began to be associated with increased conditionality especially for people with disabilities and lone parents. Unemployed lone parents were expected to go for job readiness interviews with Job Centres when their youngest child was 12, then 10 and in 2010, 7 or over.

Make work pay. A Minimum Wage was introduced in 1999 and was subsequently increased annually by a little more than increases in average earnings. Child benefits were increased in real terms. The system of in-work means-tested cash benefits (Family Credit) was abolished and replaced, initially by Working Families Tax Credit, and then by Child Tax Credits and Working Tax Credits. A new subsidy towards the costs of childcare was introduced in Childcare Tax Credit that now pays up to 80% of the costs of childcare in recognised childcare outlets. There have been improvements in the generosity of the housing benefits, and bonus payments introduced for those moving into employment.

Welfare for those who cannot work: Out-of-work benefits paid in respect of children were improved, including payments in respect of children on Income Support (now taken over by Child Tax Credits). Parental leave was extended and efforts were made to improve the living standards of all pregnant and nursing mothers, through the payment of child benefit after 29 weeks, a Health in Pregnancy payment of £190 (EUR 210), the reform of the Welfare Foods programme in Healthy Start and a 'Sure Start' Maternity Grant of £500 (EUR550) for low income mothers.

Invest in services. Eventually the government began to spend more on services. Initially the main beneficiaries were health and education, then transport and eventually childcare. Public expenditure in relation to GDP which had fallen to 37.0% by 1999 rose to 41.7% by 2007/8 and spending on education rose from 4.3% of GDP in 1999 to 5.6% of GDP in 2007/8 and spending on health from 5.3% of GDP in 1999 to 7.3% of GDP in 2007/8.

Governance: There were also many institutional changes. There is now an independent Children's Commissioner. In a new Department for Children, Schools and Families, there is a Minister for Children and a Child Poverty Unit dedicated to meeting the 2020 child poverty targets. These targets are being enshrined in legislation in 2009. There is a plan to establish an expert child poverty commission; the strategy will be refreshed every three years; and there is to be an annual report to Parliament outlining progress on the targets, implementation and impact of the strategy, and progress on the outcomes of poor children and their families.

2.2 Income Support

The improvements that were made in out-of-work benefits have not been enough to close the poverty gap. Only very recently have lone parents on out-of-work benefits been able to retain any of the child support paid for their children by (mainly) fathers. Not until next year will this be finally disregarded completely.

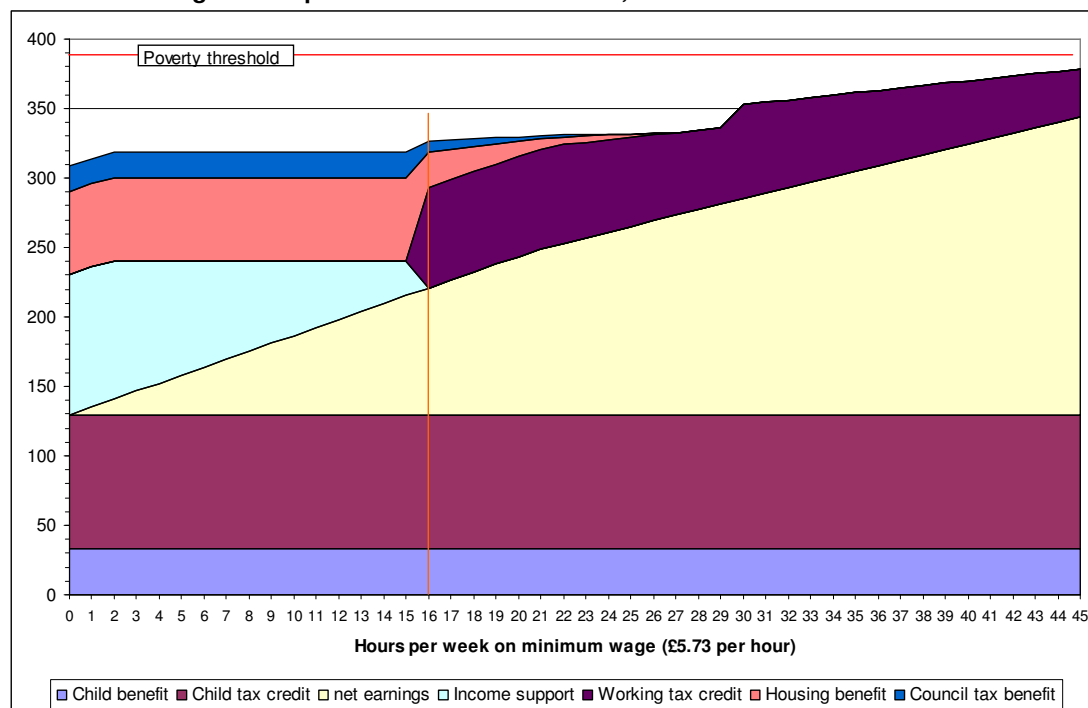
The tax credit strategy has had its problems. It is basically a means-tested strategy HMRC (2008) estimates that £1.9 billion (EUR 2.1 billion) in Child Tax Credit and £2.3 billion (EUR 2.55 billion) in Working Tax Credit was unclaimed in 2005/6. The take up of CTC is higher for those on out-of-work benefits (91-93%) or those receiving WTC (90-93%) than it is for those just entitled to CTC (71-85%) or just the family element (68-75%). Lone parents are more likely to take up Tax Credits than couples with children. There have also been major administrative problems with the system, leading to huge overpayments resulting in indebtedness.

2.3 Access to the labour market and income from employment

The strategy was based on achieving employment targets, which despite the remarkable improvement in the level of employment in the UK, were just too ambitious. In particular the aspirations to increase the labour participation rates of the working age population to 80% and lone parents to 70% were probably never achievable. The proportion of children living in workless families is the highest in the EU (16% in 2007) and fell by only about 3 percentage points between 1997 and 2006³.

The improvement in in-work incomes was not enough to guarantee that a one earner family, working full-time on the minimum wage and receiving in-work benefits would be lifted above the poverty threshold. Although in-work incomes had been improved for the low paid, and a substantially increased contribution to income was being made, as can be seen in Figure 3, the minimum wage, child benefits and tax credits were not enough and had not been improved enough by 2009 to lift incomes above the poverty threshold. This is the reason that the latest child poverty figures show that over half of children in relative poverty in the UK have at least one parent in employment.

Figure 3: Net disposable income for a couple plus two children before housing costs by hours supplied at the minimum wage from April 2009. Rent = £60 a week, Council Tax = £18.00 a week



Note: This chart shows a slope between 15 and 16 hours and 29 and 30 hours. This is because we have plotted single hours. In reality there would be a precipice.

2.4 Access to enabling services

The investment in services came too late and some of it was wrongly directed.

³ <http://www.dwp.gov.uk/publications/policy-publications/opportunity-for-all/indicators/table-of-indicators/children-and-young-people/indicator-1/>

- For example much of the huge increase in expenditure on the NHS went to doctors and nurses salaries and on acute medicine, especially on treatment of cancer and heart disease. Only belatedly did the maternity and child health services get some focus. As a result inequalities in infant mortality rates increased, low birth weights remained comparatively high, immunisation rates low and the teenage pregnancy targets were missed. Some health outcomes have become much worse, including obesity and sexually transmitted diseases.
- In education - standards improved, rates of young people staying on in education have increased (partly as a result of the introduction of Educational Maintenance Allowances paid to poor pupils who stay on after 16). However the proportion of young people NEET (not in education employment or training) has remained remorselessly high nationally and in comparison with other EU countries. In 2008 the proportion of NEET men aged 16-24 was 11% and NEET women, 15%. Also it is arguable whether sufficient of the extra resources went to poor children in poor schools.
- The childcare strategy began rather later in Labour's term in office and began from a very low base. Initially resources were focussed on nursery classes in primary schools. Parents were given a right to a part-time place for all three and four year olds, which was probably of most benefit to better off parents with their own transport. The Sure Start scheme concentrated on areas with high levels of deprivation initially. Although Sure Start children's centres were extended to all areas and there was a more general investment in childcare, it has been a very long haul establishing a service from scratch with an under-paid and under-qualified work force. Also the Child Tax Credit has only paid 80% of childcare costs up to a maximum level - leaving parents to find the balance. By 2007/8 64% of three and four year olds were in school and 54% of 0-4 year olds were in some form of formal childcare by 2006 (ONS 2009).

Conclusions

The UK was starting from a very low base. The Labour Government probably underestimated how bad things were. It was not until 2007 that the Innocenti Report Card 7 was published (UNICEF 2007) which showed that the well-being of UK children was the lowest in the OECD. A comparison of the EU 25 countries published earlier Bradshaw et al (2007) had British children 23 out of 25 just ahead of Latvia, Lithuania and Estonia. Both these were based on data from around 2001. In a more recent analysis and using more recent data the UK still comes 24th out of 29 countries in the EU (plus Norway and Iceland) (Bradshaw and Richardson 2009).

At the end of the day the Labour Government failed to will the means to achieve the task. It provided too little, too late. There were too many years when increases in spending on tax benefits for children were less than increases in the poverty threshold. When the big political tests came, too often resources went on the better off rather than poorer children.

- Twice total revenue was reduced by cuts in the standard rate of income tax,
- Once revenue went to raising the threshold on inheritance tax,
- Once revenue was reduced by cutting VAT.

An increase in national insurance contributions was hypothecated to the National Health Service but not until 2009 did the Labour Government at last have the courage to raise the tax rate on higher income tax payers. Until then, the British personal tax system - direct and indirect taxes taken - remained resolutely proportional.

The result is that, after twelve years in office, and despite redistribution in favour of poorer children, inequality remains unchanged.

The Harker Report (2006) concluded "...the major drivers of poverty – such as high levels of wage and wealth inequality – remain considerable impediments towards reaching the 2020 child poverty target, suggesting that far greater changes to the distribution of wealth, earnings and opportunities in society will be necessary before child poverty is finally eradicated".

One obvious constraint on child poverty policy is public opinion, Gordon Brown, when Chancellor, declared that the Government cannot go much further in tackling child poverty in the UK unless it is put

under more pressure to do so; he contrasts this with the regular displays of demonstrable public concern over Third World debt and poverty. There is evidence (Fabian Commission 2005) that there is some way to go in changing public attitudes towards, and improving understanding, of child poverty. A review by Kelly (2008) for the DWP concluded "These findings demonstrate the relatively low awareness of the extent of, and reasons for, child poverty in the UK, and the progress that has been made in recent years. This has a number of implications for Government and our stakeholders". There is a growing consensus that there is a need for more focus on efforts to change widespread ideas and beliefs about people living in poverty if a strategy against child poverty is to be successful and sustainable in the long-term.

The Child Poverty Action Group (2009), the leading campaign organisation on the issue has recently issued a manifesto in which it argues that there are "Ten reasons to be angry about child poverty". They are

1. More than half of the children living in poverty have a parent in employment.
2. Current benefits and tax credits leave many children living below the poverty line.
3. The poorest families pay most for the key necessities.
4. The poorest families pay the highest proportion of their income in tax⁴.
5. Poor children are more likely to experience unsafe environments.
6. More affluent and better educated people tend to get the best out of public services.
7. Poverty is a barrier to educational success. Hirsch (2007) finds that the average attainment gap between those children receiving free school meals and the rest is 2.5 terms at Key Stage 1 and 5.1 terms at Key Stage 3.
8. Children in poverty go without the necessities most of us take for granted (see Fig. 4).
9. Poverty damages health.
10. Parents aspirations for their children are high but their life chances are low.

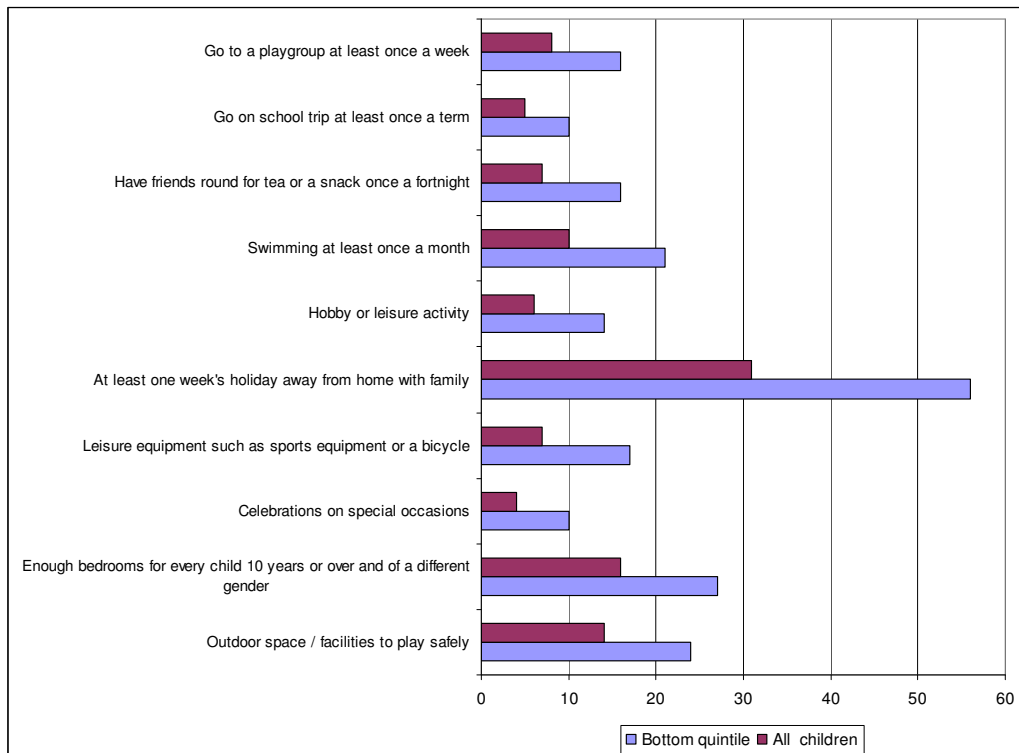
A series of studies has just been published by the Joseph Rowntree Foundation pointing to the huge costs of child poverty to individuals, government and society. The Exchequer costs are an estimated £12 billion (over EUR 13 billion) per year and the costs in below-average employment and earnings levels £13 billion (around EUR 14.5 billion) per year. So the total estimated cost is £25 billion (EUR 27.5 billion), over two-thirds of which would return to the Exchequer were child poverty to be eradicated: 'in the long term huge amounts would be saved from not having to pick up the pieces of child poverty and associated ills' (Hirsch, 2008).

The UK is in recession. Unemployment, already over two million, is increasing at a more rapid monthly rate than since records began and is expected to exceed three million before the end of the year. It will be much harder for parents of children to keep jobs and find jobs. There will be more one earner families with higher risks of poverty. Unemployment almost inevitably entails poverty in the UK because out-of-work benefits are so low. There is a massive budget deficit and the prospects of cuts in public expenditure and increased taxation. Curiously, depending on how these are handled there is an opportunity here to reduce inequalities and, if median income falls, the prospect of a statistical reduction in child poverty. Meanwhile, like France, the UK has been experiencing the highest fertility rates for 35 years with the rate now at 1.95.

Thanks to the improvements that have been made in the level of out-of-work benefits for families with children, the experience of unemployment for children may not be as harsh as it was in the previous recessions in the early 1980s and 1990s. Next year there is the prospect of a change of Government. There is a greater degree of political consensus about the importance of child poverty than there has been in the past. The Conservative Party leader David Cameron has said "We can end child poverty – I mean it" (Speech at the launch of Making British Poverty History, 28 April 2008). Similar support for the poverty strategy has come from the leaders of other political parties. Only time will tell.

⁴ The richest decile pay a higher share of income in income tax but the effect of direct and indirect taxes mean that as a proportion of their income the richest decile pay 33% compared with 42% by the poorest decile (Jones 2008).

Figure 4: Share of children in households wanting and lacking items because they cannot afford them



Source: DWP 2009

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