

The Experience of the U.K. Child Poverty Target

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Executive summary

In 1999, U.K. Prime Minister Tony Blair announced a target to eliminate child poverty within a generation. Nearly 10 years later, a raft of policy initiatives have been introduced, and significant progress has been achieved on cutting poverty. The political discourse has moved from one where poverty was barely acknowledged to one in which tackling child poverty is a widely accepted goal. Challenges remain if the government is to hit even its interim target of halving child poverty by 2010, but the United Kingdom's experience shows that setting an ambitious goal can inspire radical action.

The British government's strategy to tackle poverty rested on three main prongs:

- **Increasing income for families:** The government substantially increased levels of financial support for children, with a particular focus on a child's first year of life.
- **Promoting employment:** The government has taken measures to encourage, but not compel, parents into the workforce, including increased financial incentives through the National Minimum Wage and a tax credit for low-income workers, employment programs to help single parents return to work, expanded child care, and help for families in balancing work and family life.
- **Improving services for families:** The government has introduced policies to narrow gaps in educational attainment, promote the participation of young people in education or training, improve housing, and encourage financial inclusion.

The United Kingdom uses a measure of relative poverty, which counts as poor those living in a household whose income is below 60 percent of median income before housing costs. On this measure, child poverty fell between 1998–99 and 2006–07 by 3.8 percentage points, from 26.1 percent (or 3.4 million children) in 1998 to 22.3 percent (or 2.9 million children) in 2006. Unrounded figures show that almost 600,000 fewer children are now living in relative poverty. Child poverty on this measure needs to fall to 1.7 million by 2010–11 in order to meet the interim target of cutting child poverty in half.

Success has also been achieved on a measure of “absolute” child poverty, which counts all those living in households whose income is below 60 percent of 1998–99 median income. Absolute child poverty has been halved, falling from 26.1 percent (3.4 million children)

in 1998 to 13.1 percent (or 1.7 million children) in 2006, meaning that 1.7 million fewer children are now living in absolute poverty.

Equally impressive has been the changed political consensus on the importance of tackling child poverty. When the goal was first announced, opposition parties were skeptical and the Labour government was reluctant to talk about the goal; now child poverty is at the center of political discourse.

Yet substantial challenges remain. Looking at the U.K. experience suggests that:

- The child poverty target has been pivotal in focusing policy attention.
- The politics of poverty can move—but this requires leadership.
- Increases in employment do not require tough sanctions.
- Financial support helps both working and workless families.
- Policy delivery matters and change takes time.
- Depth and incidence of poverty are both important.
- Attention must be paid to job retention and in-work poverty.

The U.K. has not discovered a silver bullet to end childhood hardship, and there is a long way to go before the promise to eliminate child poverty within a generation can be realized. But the target has shown that in setting a clear goal progress can be made, and hundreds of thousands of children are better off as a result.

The child poverty target— background and definitions

“I will set out our historic aim that ours is the first generation to end child poverty for ever, and it will take a generation. It is a 20 year mission, but I believe it can be done.”

– Tony Blair, Beveridge Lecture, 1999

British Prime Minister Tony Blair thus set out the Labour Party’s commitment to abolish child poverty in a speech to commemorate William Beveridge, architect of the post-war welfare state. In then Chancellor Gordon Brown’s financial statement to the House of Commons in December of the same year, he confirmed the ambition, and added that the government would aim to halve child poverty within a decade.¹ This year, Prime Minister Brown took it one step further, announcing in his speech to the Labour Party conference that this target would be enshrined in legislation.²

When the child poverty pledge was made in 1999, Britain’s child poverty rate was the highest in Europe. Child poverty had risen substantially in the 20 years previous, from 14 percent in 1979 to 33 percent in 1999,³ and children had replaced older people as the group most likely to be poor in British society.⁴ The ambition expressed in the pledge to eliminate poverty took many by surprise. The previous Conservative administration, in power from 1979 to 1997, had downplayed poverty as an issue, with Prime Minister Margaret Thatcher’s statement in 1980 setting the tone for the debate:

“I know that it is not difficult to find, even today, tragic cases of individual hardship. But it is just not true to pretend that real poverty is a regular feature of our national life.”⁵

Promoting employment was a central part of the Labour Party’s narrative prior to their election in 1997, but poverty played a minor role within the party’s manifesto—its published platform for government.⁶ The pledge to eliminate child poverty in 20 years was a bold, ambitious, and somewhat unexpected move.

No official definition of poverty existed in 1999 against which to measure progress. U.K. academics and policy groups had long used a relative definition that set the poverty line at 60 percent of the median income, as is common in comparative analysis across the European Union. But, lacking an official definition, the Blair government initiated a formal consultation process to invite comment on what should be the measure of poverty used for making progress toward the goal.

Following this consultation, the Department for Work and Pensions, responsible for reporting on progress toward the target, decided in 2003 to supplement the relative low-income measure with data on changes in absolute child poverty and the level of material deprivation, or lack of essential items, experienced by children. Using these measures, the Department for Work and Pensions decided that meeting the 2020 target would mean that the relative child poverty measure would be among the best in Europe—or around 5 percent of children would be in poverty,⁷ with material deprivation approaching zero.⁸

The relative poverty target is a recognition that the living standards of those at the bottom are closely linked to those with middle and higher incomes. And as the government itself puts it: “when family income falls below that of others in society, this has additional negative outcomes including inequality of opportunity and social exclusion.”⁹

U.K. and U.S. child poverty measures compared

The United Kingdom measures poverty very differently from the United States. The United States measures poverty on an absolute basis—it delineates a set yearly income for a family of four that represents the poverty line—using a method developed in the 1960s by Mollie Orshansky. The U.S. poverty measure falls at approximately 30 percent of the median income for a family of four. The official U.S. poverty line was \$21,027 for a family of four in 2007. Using this measure, 18 percent of children were living in poverty.

In contrast to the United States’ “absolute” measure, Britain uses a relative measure of poverty. The U.K. poverty level is calculated as the number of children living in households that earn below 60 percent of the contemporary median household income before housing costs. These figures are supplemented by two additional measures: absolute low income, and material deprivation combined with low income.

Absolute low income is the number of children in households whose income falls below the relative low-income threshold for the baseline year of 1998–99 expressed in today’s prices. This allows rises in real incomes to be more adequately captured, as well as the extent to which the incomes of the poorest are related to the median.

Material deprivation and low income, when combined, measure the number of children living in households that are both materially deprived and have an income below 70 percent of contemporary median household income.

Using the headline relative poverty figure, a family of four with two children in 2007 would be seen as living in poverty if family income did not exceed £346.00 a week (60 percent of the median for this family type), or around £17,992 (approximately \$30,000) a year. Using the relative measure, 22 percent of children live in poverty.

The strategy to meet the target

The Labour Party's child poverty strategy builds on employment measures that were already in progress when the target was announced. The British government was inspired in part by the 1996 U.S. welfare reform act to place a strong emphasis on paid work in an approach initially described as “work for those who can, security for those who cannot.”¹⁰ Tackling child poverty was incorporated into this rhetoric, reformulated as “tackling poverty and making work pay,”^{11,12} phrases that chime with the broader mantra of “investment and reform” espoused by the Blair government.¹³

Tony Blair expressed the need for a new work-focused approach to tackling poverty in his 1999 speech setting out the child poverty target, explaining that, “welfare will be a hand-up not a hand-out. ... Otherwise the costs are out of control and the consent for the taxpayer to fund welfare declines.”¹⁴

The government inaugurated a new annual publication following Blair's announcement called “Opportunity for All,” which set out and measured progress toward “the demanding goals to make Britain a better place to live in the next century.” Eradicating child poverty was put at the center of these goals, alongside the focus on paid work or “confronting the waste of long term unemployment” and the broader aim of “bringing deprived neighborhoods up to the standards that the rest of Britain takes for granted.”¹⁵

These goals are intended to be mutually reinforcing, and policies have been directed toward achieving multiple aims in tandem. Three approaches in particular have come to form the core of Britain's child poverty target:

- Increasing income for families with children.
- Promoting greater parental employment.
- Improving services for families with a focus on addressing the gaps between low- and high-income groups.

This report briefly describes some of the main initiatives in each of these three areas, but does not attempt to give a comprehensive list of all policies implemented. A more extensive overview is given in the government's 2008 Child Poverty Strategy document¹⁶ and in the current “Opportunity for All” report.¹⁷

Increasing income for families

Increasing the amount of direct investment in cash benefits for families has been a central plank in the strategy to tackle child poverty. The government has increased spending on existing instruments such as the Child Benefit, and reformed the existing system of tax allowances to create a new Child Tax Credit. It is also paying more attention to Child Support as a means of increasing family income. One feature of efforts across the board to increase family incomes has been to concentrate attention on the child's first year of life, following evidence that tackling deprivation when children are young is particularly important to their future development.

The Child Benefit is a universal weekly benefit paid to all families with children, regardless of income. When Labour came to power in 1997, the Child Benefit was nominally worth £11.05 per week for the first child, and an additional £7.00 for second and subsequent children (at the time of writing £1 is equal to around \$1.63). The Child Benefit has been increased annually since then, with a particularly large increase between 1998 and 1999.¹⁸ It is currently worth £18.80 for the first child and £12.55 for others.¹⁹

The government also created a new system of tax credits, through which it has channeled significant additional resources to children. Inspired in part by the United States' Earned Income Tax Credit, the government's first step was to create a Working Families Tax Credit in 1999 for families employed in paid work. This was a staging point on the way to the tax credit system created in 2003, which created two new credits: the Child Tax Credit and the Working Tax Credit.

The Child Tax Credit integrates payments for children that had previously been attached to benefits for out-of-work families with those paid as part of the previous Working Families Tax Credit. The benefit is structured to reflect the principle of "progressive universalism" described by Gordon Brown in a speech in 2002 as, "our approach is universal and progressive. It starts with child benefit for every family and recognizes the costs of raising children that middle-income families face. But is designed to help families most when they need help most and when their children are youngest."²⁰

A large number of families receive some payments, but these payments are progressive, or means tested—which means that the same type of payments go to all families earning up to £50,000 (median income in the United Kingdom is currently around £24,000), but significantly larger payments go to those with the lowest incomes.

Shifting benefits for all children to the tax system was seen as a vital part of winning support for a policy of redistribution and of removing the stigma that might be associated with claiming income-related support.²¹ But the shift has been incomplete; the tax credits are not fully integrated with income tax; they require a separate form of assessment; and there have been significant problems with their delivery.

The government introduced a highly flexible system in order to ensure that payments could respond rapidly to families' changing circumstances; payments, received weekly or monthly, can change as soon as a family's situation alters. Yet this creates the potential for significant overpayments if families fail to inform the government of changes in their circumstances. A further issue is that claimants can be asked to estimate their annual income, creating overpayments if they do so incorrectly, even if they report changes promptly. These design features have been coupled with substantial IT problems and have led to around a third of families receiving overpayments—often running into thousands of pounds—and a substantial outcry over government attempts to recover these.²²

Tax credits have still significantly improved many families' financial situation. The Child Tax Credit was worth at least £545 a year for all eligible families when introduced in 2003, and £1,445 for those families receiving the maximum entitlement. In 2008–09, the family element remains at £545, but the child element has risen to £2,085.²³ Coupled with the increases in the Child Benefit, this means that families with children will be on average £2,000 better off a year in 2010 than they were in 1997 in terms of the support they receive from government. Those in the poorest fifth of the population will be on average £4,500 better off a year in real terms.²⁴

The government has paid particular attention to increasing income in the first year of a child's life. The basic element of the Child Tax Credit is worth double in this year, and the government now offers a "Sure Start Maternity Grant" of £500 payable to new mothers with the lowest incomes. Government has introduced two weeks of statutory paid paternity leave, and extended paid maternity leave from 18 weeks to 9 months. A "health in pregnancy grant" has also been announced, which will effectively make the child benefit payable from the 24th week of pregnancy.

Greater attention has also been given to the collection of child support payments as part of the overall strategy to increase parental income. Despite reform of the national child support agency in 2003, the record on delivering child support payments to families has been poor, with only one in three single parents receiving any maintenance payments from their child's other parent.²⁵ The system is now to be replaced in 2010–11, with a new focus on helping parents come to private arrangements, and tougher enforcement when this is not possible and parents turn to the state system.

The government has gradually increased the amount of money in child support payments that those parents receiving income-related benefits from the government can keep. The previous system reduced government child support benefits on a pound-for-pound basis after the first £10 received in maintenance for single parents who were not employed in paid work and who received income-related benefits. The government announced in July 2008 that when the new system comes into place in 2010 there will be a full child support disregard, meaning that no child maintenance payments will be offset against government entitlements.²⁶ In other words, parents will no longer receive less government support if they also receive child support from a parent.

Selected features of financial support for families in the United Kingdom and the United States

	United Kingdom	United States
Child allowances	<p>Child Benefit: Payable to all families with children: £18.80 (\$30.64) for first child, £12.55 (\$20.45) for each subsequent child.</p> <p>Child Tax Credit: Payable to all families with children who have incomes up to about £50,000 (\$81,495). The largest payments are given to the poorest families. The maximum annual credit per child is £2,630 (\$4,287), or £3,175 (\$5,175) for children under 1 year old. Larger amounts are given for children with a disability.</p>	<p>No universal benefit allowance.</p> <p>Child Tax Credit: Payable to families with children who have incomes above \$12,050 a year. The maximum annual credit is \$1,000 per child, calculated based on 15 percent of earnings exceeding \$12,050 until the maximum is reached.</p>
Support for low-wage workers	<p>Working Tax Credit: Payable to families with children—and some other groups—working for more than 16 hours a week. The maximum annual credit, assuming no family disability, 30 hours of work a week, and no child care costs, is £3,305 (\$5,387).</p>	<p>Earned Income Tax Credit: Payable to low-income families with children—a much smaller EITC is available to individuals without children—who work any hours. The maximum annual credit for a family with two or more children was \$4,716 in 2007.</p>
Support for child care costs	<p>Child care element of the Working Tax Credit: Payable to parents claiming the Working Tax Credit. It covers up to 85 percent of child care costs up to a maximum of £9,100 (\$14,832) a year for families with one child, or £15,600 (\$25,426) a year for two or more children.</p>	<p>Child and Dependent Care Tax Credit: Offset against the tax liability for parents. Covers up to 35 percent of the first \$3,000 in costs for one child or \$6,000 for two children. This is not refundable and generally not available to lower-income families.</p> <p>Child Care and Development Block Grant: Provides federal funds for subsidies to low-income families with children. States have discretion in determining eligibility and benefits within federal rules and available funds.</p>
Maternity pay	<p>Statutory Maternity Pay: Mothers are entitled to receive pay for 39 weeks—six weeks at 90 percent of average weekly earnings, and 33 weeks at £117.18 (\$191) per week.</p>	<p>No statutory entitlement.</p>
Paternity pay	<p>Statutory Paternity Pay: Fathers are entitled to two weeks at £117.18 (\$191) per week.</p>	<p>No statutory entitlement.</p>
Support for unemployed families	<p>Income Support: Single unemployed parents are entitled to a weekly payment of £60.50 (\$99); couple parents are entitled to a joint weekly payment of £94.95 (\$155).</p> <p>Jobseeker's Allowance: Starting in 2010, parents with children aged 7 and older receive the same weekly payment, but only if they show that they are looking for work; couples must show that one member of the couple is looking for work.</p>	<p>Temporary Assistance for Needy Families: Rules vary between states. All states require families to participate in work or work search activities, and federal law limits the amount of time for which families can receive federally funded benefits. The average monthly benefit per recipient was \$157 a month in 2005, and the average monthly benefit per family was \$370.</p> <p>Food stamps: Help purchasing food for households with gross incomes below 130 percent of poverty. The maximum monthly value of food stamps for a two-person household in 2009 will be \$323, and \$463 for a three-person household.</p>

Promoting employment

The incoming Labour government made tackling unemployment across the board a central aim in 1997, before the child poverty goal was introduced. Labour prioritized policies that would increase the number of parents in work—particularly single parents—as part of a broader set of changes to the welfare and workforce systems that included efforts to “make work pay,” programs to increase work efforts among those receiving benefits, and help for parents balancing work and family life, including child care.

When Labour came to power, the employment rate for parents was lower in the United Kingdom than anywhere in the industrialized world; 17.9 percent of children were living in a household with no one in work.^{27,28} Promoting paid work has therefore been central both to the policies and to the narrative of efforts to tackle child poverty.

The focus on paid work followed the Clinton administration’s welfare reforms in 1996, and reflected the strong U.K. interest in the American experience. A variety of British programs were inspired by U.S. policy initiatives, including increases in in-work support via tax credits, a focus on single-parent employment, and an expansion of child care funding. But Britain gave a lesser role than the United States to sanctions and time limits, at least for single parents. Up until 2008, there has been no requirement on single parents with children aged 16 or under to seek work in order to receive benefits, and no time limits are placed on the receipt of out-of-work benefits for any group. The principal emphasis for single parents has been on incentives and voluntary approaches.

The founding plank of Labour’s “make work pay” strategy, established well before the child poverty target, was the introduction of the country’s first-ever national minimum wage—in operation since 1999. The National Minimum Wage Act of 1998 established an hourly wage floor and a Low Pay Commission to advise the government on the level at which the floor should be set. The commission is an independent body, with representation from employers, trade unions, and academics. Its recommendations have, to date, been uniformly accepted.²⁹ The national minimum wage was set at £3.60 an hour when introduced, and reached £5.73 in October 2008. To give some context, median gross hourly pay in the United Kingdom is currently £9.88, median hourly pay for male full-time workers is £11.71, and a commonly used threshold for low pay, based on 60 percent of full-time median earnings, is £6.67 per hour.³⁰

The Labour Party coupled the national minimum wage with greater support for specified groups of workers, first through the Working Families Tax Credit, and from 2003, the Working Tax Credit. The Working Tax Credit supplements wages for families with children who have a parent that works at least 16 hours a week, and single adults who work above 30 hours. The tax credits are means tested, with additional support available for families with children who have disabilities and for parents who work 30 hours a week or more. The tax credits have significantly increased the returns to work for low-wage work-

ers; the Working Tax Credit's basic benefit is now worth a maximum of £1,880 a year, and the component for parents is worth £1,770.³¹ The government describes the combination of the national minimum wage and working tax credits as a guaranteed minimum level of income for working families. Indeed, the income for a family with one child and one parent working full-time rose from £182 a week in 1999 to £260 a week by 2005.³²

“Active labor market,” or “welfare to work” programs accompany “make work pay” programs to encourage parents, and others, to look for and take up jobs. Labour introduced a raft of New Deal programs in 1998 funded by a windfall tax on privatized utilities. The initial programs concentrated on three groups: young people aged 18 to 25, those over 25 years old, and single parents. All programs focused on engagement with a personal adviser and participation in activities designed to facilitate entry into the labor market. The New Deal programs for young people and those over 25 were compulsory for all receiving financial support, but the New Deal for Lone Parents, or NDLP, was introduced as a purely voluntary program.³³

The government has tested a wide range of additional initiatives since the introduction of NDLP to encourage single parents to enter work. These have included a requirement to participate in “work focused interviews” at the Jobcentre—part of a nationally run network of centers that administer financial support and provide employment programs—as well as a range of financial incentives, including a £40 a week In Work Credit payable for the first 12 months spent in work.

Yet until November 2008, single parents with children under 16 years old were not required to look for or take up jobs. A controversial change to this policy was announced in 2008, and starting on November 1, parents with children ages 12 and over are subject to full job search requirements. Starting in 2009, this will apply to those with children ages 10 and up, and from 2010, to those with children ages 7 or older.³⁴ The government has argued that sufficient support services, in particular child care, are now in place, making it reasonable to expect single parents to take up jobs. They also argue that this will contribute to reductions in child poverty, although advocates (including this author) have suggested that greater mandates will do little to achieve increases in sustainable employment.³⁵

The government has, in addition to making work more financially rewarding and encouraging single parents to enter the labor force, sought to make it easier for families to combine paid work with caring for their children. A major part of this has been a new child care strategy, published by the government in 2004, and efforts to build on earlier increases in child care supply.³⁶ Child care clearly has a key role in tackling child poverty. But government has also cited the need to increase women's employment to ensure greater productivity and increase early education as a possible engine of greater social mobility.

All families have access to 12 hours per week of free early education for their 3- and 4-year-olds—and 15 hours by 2010—with pilots to extend this program to 2-year-olds. A child care subsidy is also available through the Working Tax Credit, which provides those working 16 hours a week or more with reimbursement for up to 80 percent of their child care costs, up to a defined threshold—£175 per week in 2008 for those with one child, and £300 per week for those with two or more children.

The government has also invested in expanding child care infrastructure. Labour's child care strategy set out plans to establish a Children's Centre—a children's services hub—in every community by 2010. Each community will also contain an "extended school," which will provide wrap-around child care for those ages 4 to 11. The Childcare Act of 2006 places a duty on local authorities to "secure sufficient childcare" for working parents, albeit through managing the market rather than direct provision, and to ensure that parents have information about their child care options.³⁷ Now approximately one child care space is available in a center for every three children under 8 years old, up from one space per every nine children in 1997.³⁸

Efforts to make the workplace itself more family friendly have been similarly motivated both by the child poverty target and a desire to increase women's employment. The government introduced in 2003 a "right to request flexible working" for parents of children aged 6 and under. Parents can now ask their employers for a change in working hours. The employer does not have to accept, but they do have to consider the request seriously and provide a good business reason if it is declined.

The right to flexible working was met with some resistance from the business community, but the proposal gained strong support from unions, advocates, and human resources professionals, including the Chartered Institute of Professional Development. The policy is widely judged to have been successful, with research showing that 91 percent of requests, or a modified version of them, are agreed to after discussion between employer and employee. The government has announced that the "right to request" will be extended to careers of sick or disabled family members, and a recent official review has recommended that the measure be extended to parents with children up to age 16.³⁹

The government has recently also begun to pay more attention to issues of job retention as a result of evidence showing that jobs gained via the New Deals may be short lived. Between 18 and 20 percent of those leaving the New Deal for Lone Parents for work return to benefits within six months, 29 percent return within a year, and 40 percent return within two and a half years.⁴⁰ An In Work Emergency Fund has been introduced, which would provide financial support to cover isolated costs that might prevent a parent from continuing in work; typical examples would be fixing a broken car or covering the cost of an additional child care session.

The In Work Emergency Fund draws on evidence from the United Kingdom’s Employment Retention and Advancement Pilot, a large scale demonstration project that provided in work advisory and financial assistance, financial incentives for job retention, and access to money for training. Interim research suggests that lone parents who participated in the pilot earned 24 percent more than a control group after two years, although these earning gains were achieved by working more hours, rather than gaining “better” jobs.⁴¹

Greater emphasis is also being placed on skill development, again linked to broader goals around economic productivity.⁴² Training is available for those who lack a level two—or high school-equivalent qualification—but as yet, progress in integrating employment and broader workforce development strategies has been slow.

Improving services for families

A wide variety of other policies are often cited as contributing to the child poverty goals, although often these also have other objectives, and their direct links with the number of children in poverty may be less clear. These include efforts to narrow the gap in educational achievements between low- and high-income children, integrate children’s services, improve living conditions, and promote financial inclusion. The government’s desire to ensure that the child poverty strategy is not focused on income alone is reflected in the range of indicators captured in *Opportunity for All*. The indicators for children and young people include teenage conception rates, developmental levels for children in disadvantaged areas, educational attainment rates at age 11, infant mortality, obesity, and households living in temporary accommodation.

The government’s ambitious Every Child Matters agenda aims to integrate children’s services around five key outcomes: achieving economic well being, being healthy, staying safe, enjoying and achieving, and making a positive contribution. Children’s Centres are, in addition to contributing to childcare expansion, tasked with achieving these outcomes, and seen as key to narrowing the gaps in these areas between rich and poor children.

The government has focused some efforts on young adults as well. It has set a target to halve the number of teenage pregnancies by 2010—it has so far been reduced by 12 percent.⁴³ Additional childcare support has been provided for those teenage parents who return to education. And there is broader support for young people continuing in education via a means-tested Educational Maintenance Allowance made available to low-income youth who continue in non-compulsory education beyond age 16.

The government’s current child poverty strategy cites improvements in the stock of publicly available housing as part of the overall picture of improvements for families, with investment made in tackling poor quality social housing and reducing the number of fami-

lies who live in overcrowded accommodation. Direct investment has been made in helping families with the cost of fuel with the introduction of a Warm Front scheme that provides families and others with help to cover the costs of insulation and heating repairs.

A further theme cutting across policies for families with children and other vulnerable groups, including the elderly, has been financial inclusion. The government forged an agreement with banks to allow those receiving benefits to open a basic bank account, which, together with a strategy to begin paying state benefits into bank accounts rather than as checks, has dramatically reduced the number of the unbanked. The Child Trust Fund, an initial payment into a savings account that is redeemable when the child reaches 18 years old, is being promoted by the government as a policy intended to address financial inclusion, and the government has recently piloted—and will introduce nationally in 2010—a matched savings scheme known as the Savings Gateway. The Savings Gateway provides a matched government contribution for every pound that individuals save in the account, available to people claiming certain benefits associated with low income.⁴⁴

What has been achieved?

Britain has seen substantial reductions in the number of children experiencing poverty in the nine years since its child poverty target was set. The latest data show that Britain moved from having the highest child poverty rate in the European Union in 2000, to having the fifth highest in 2003.⁴⁵ And between 1999 and 2001 it was the only European Union country to see reductions in its child poverty rate.⁴⁶

In order to meet the target to halve child poverty by 2010, relative child poverty, measured as living in a household below 60 percent of median income before housing costs, needs to fall from 3.4 million children in 1998 to 1.7 million children in 2010. Using this measure, child poverty fell by 3.8 percentage points, from 26.1 percent (3.4 million children) in 1998 to 22.3 percent (2.9 million children) in 2006.

Absolute child poverty, measured as falling below the 1998 baseline for median income, fell by 13 percentage points, from 26.1 percent (3.4 million children) in 1998 to 13.1 percent (1.7 million children) in 2006. And using a measure of material deprivation, poverty fell from 20.8 percent in 1998 to 15.6 percent in 2006.⁴⁷

U.K. and U.S. poverty rates, selected measures 1999–2006/07

Year	U.K. relative child poverty rate	U.K. absolute child poverty rate	U.S. poverty rate, official measure
1998	26.1	26.1	18.9
1999	25.7	n/a	17.1
2000	23.4		16.2
2001	23.2		16.3
2002	22.6	14.1	16.7
2003	22.1	13.7	17.6
2004	21.3	12.9	17.8
2005	22.0	12.7	17.6
2006	22.3	13.1	17.4
			18

Source: Adapted from Table 4.5 in M. Brewer, A. Muriel, D. Phillips, and L. Sibieta, *Poverty and Inequality in the U.K. 2008*, (Institute for Fiscal Studies, 2008); and Table B2 in U.S. Census Bureau, *Income, Poverty and Health Insurance Coverage in the United States 2007* (2008) available at <http://www.census.gov/prod/2008pubs/p60-235.pdf>

The portion of children living in poverty in Britain and the United States that have different family attributes, 2007

Family type	Children living in relative poverty in Britain	Children living below the official poverty line in the United States
Single-parent families	40 percent	67 percent
Families with no members working	43 percent	34 percent
Families with at least one family member working, at least part time	57	66 percent
Families where only one parent is working	37 percent	n/a
Families where at least one parent is employed full year or full time	n/a	34 percent
Families from a non-white background	21 percent	54 percent

Source: *Households Below Average Income: An Analysis of the Income Distribution 1994/95–2006/07* (Department for Work and Pensions, 2008). National Center for Children in Poverty, *United States Demographics of Poor Children*, available at: http://nccp.org/profiles/state_profile.php?state=US&id=7 U.S. Census Bureau 2008 *Income, Poverty and Health Insurance Coverage in the United States 2007*.

The Institute for Fiscal Studies examined this decline in child poverty from 1999 to 2004/05 and found that the most effective government investments toward reducing the child poverty rate were in parental employment and reductions in the chance of being in poverty for parents both in and out of work.

Selected factors contributing to the fall in child poverty from 1999 to 2005

Reason for fall in child poverty	Reduction in number of children in poverty
Increase in single parents employed in paid work	60,000
Increase in couples employed in paid work	63,000
Increase in incomes for single parents in part-time work	132,000
Increase in incomes for single-earner couples	154,000
Increase in incomes for workless single parents	107,000
Increase in incomes for workless couples	89,000

Source: Adapted from table 4.2 in M. Brewer, A. Goodman, J. Shaw, and L. Sibieta L, *Poverty and Inequality in the U.K. 2008* (Institute for Fiscal Studies, 2006) (see note xvii).

The Institute for Fiscal Studies research shows that, between 1998 and 2004, reductions in the numbers of families out of work played a significant role in reducing the child poverty rate. Increases in single-parent employment led to nearly 60,000 fewer children in poverty, and increases in employment among couples led to a fall of 63,000.⁴⁸ The reduction in worklessness among single parents is particularly impressive as children in single-parent families account for about one-quarter of all children, yet increases in single-parent employment account for nearly half of the decrease in poverty due to reductions in worklessness. The single-parent employment rate rose by 11 percentage points from 45 percent in 1997 to 56 percent in 2008.

The increase in single-parent employment took place within a strong economy and during a time when the employment rates of most disadvantaged groups were rising. Yet analysis shows that efforts to “make work pay” played a particularly important role in increasing employment rates. Around 4 percentage points of the rise in single-parent employment may be attributable to tax credits, and about an additional percentage point is due to the New Deal for Lone Parents and Work Focused Interviews combined, although analysts caution that this analysis makes a number of unconfirmed assumptions.⁴⁹

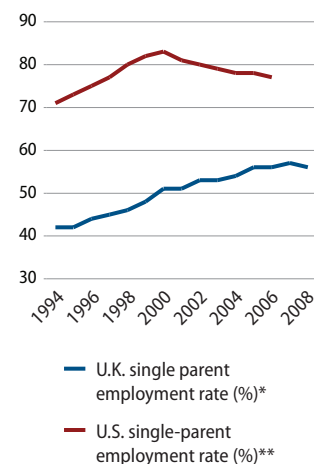
Increases in employment alone have not achieved the reductions in child poverty, and the Institute for Fiscal Studies analysis shows clearly the importance of increased government payments for families. Increases in incomes for families without jobs, and for families who have part-time jobs appear to have contributed substantially to the decline in child poverty overall. There were particularly large poverty reductions for families with a lone parent working part time—132,000 fewer children in poverty—and those with a one-earner couple—154,000 fewer children in poverty. These groups have been particular targets of the Working Tax Credit. But the poverty rate has also fallen significantly for families who are out of work, leading to 107,000 fewer poor children in workless lone parent families, and 89,000 fewer poor children living with a workless couple.⁵⁰

Substantial progress has been made over the long term, but the last two years of data show slight increases in the child poverty rate. Looking at the headline relative measure, in 2004–05 child poverty had stood at 21.3 percent, one point lower than the 2006–07 rate. Examining the recent increase in child poverty the Institute for Fiscal Studies finds that increases in the numbers of children in poverty in households with no one in work and couple households with only one earner have largely driven the child poverty rate increase.⁵¹ This reflects years in which the incomes of the poorest families grew more slowly than median income, again revealing the importance of government payments to families in driving the child poverty figures.

Meeting the target to halve child poverty by 2010–11 will be challenging, although several groups have outlined ways in which the target could be met.⁵² The Institute for Fiscal Studies estimates, for example, that the target could be achieved if the government spent an extra £2.8 billion on payments to families with children each year until 2010–11.⁵³

The government did make substantial increases in the benefits for children, announced in the 2008 budget, which is estimated to lift 200,000 children out of poverty by 2010.⁵⁴ The 2008 budget included a new “Child Poverty Strategy,” yet it contains few specific new policies, and is focused on the 2020 target.⁵⁵ The government is looking to increased employment obligations for single parents to help meet the target, and more recently, possibly a controversial round of tougher welfare reform, including increased sanctioning and workfare.⁵⁶ These latter proposals would also not be implemented in time to meet the 2010–11 target.

Single-parent employment in Britain and United States



* Single parents in Britain do not include those who are cohabiting. The employment rate refers to those who did at least one hour of paid work in the reference week for the survey.

** Single parents in the United States include cohabiters. The employment rate refers to those who worked at some point during the year.

Source: Walling A (2005) *Families and work* Office for National Statistics available at: http://www.statistics.gov.uk/downloads/theme_labour/Families_July05.pdf Data for 2005 onwards from Opportunity for All publications, see note xliii. Gabe T (2008) *CRS Report for Congress: Trends in Welfare, Work and the Economic Wellbeing of Female-Headed Families with Children 1987–2006* RL 30797.

It is possible that government may invest the resources necessary to meet the 2010 target. An amount comparable to the Institute for Fiscal Studies-recommended £2.8 billion was recently invested in a program to offset the burden of a tax change on low-income workers,⁵⁷ and child poverty is increasingly gaining political prominence. Campaigners are stepping up pressure on the government to secure this investment, and experience to date has shown that the government has the willingness to take action and that the measures undertaken so far have achieved substantial progress.

Public and political reaction

Tackling child poverty is not at the top of the public's list of concerns, although there is support for government action. The issue has, however, recently risen to the top of the political agenda, with parties now competing on who is best placed to address poverty. This is in part due to the existence of a defined goal coupled with regular assessments of progress toward it, which has shifted discussion from whether anything should be done to tackle child poverty, to what should be done and how this goal can be achieved.

Shortly after Tony Blair's speech in June 1999, 7 percent of those surveyed by IPSOS/MORI, one of Britain's leading polling firms, cited poverty as one of the most important issues facing Britain. By June 2008, the proportion had barely changed, rising barely to 8 percent.⁵⁸ A survey by the Department for Work and Pensions found that few of the public are aware of the progress made in tackling child poverty over the last decade, and most believe that the child poverty rate had increased or stayed the same.⁵⁹

The Department for Work and Pensions research also confirmed commonly found splits between those who think that poverty exists in Britain and those who are skeptical, and between those attributing poverty to individual and those attributing it to societal causes. A small majority—53 percent—believe there is “quite a lot” of child poverty today, compared to 41 percent who believe there is very little. A quarter—25 percent—think poverty is mainly due to “injustice in society,” while 27 percent think it is due to “laziness or lack of will power.” The remaining respondents took a less forceful view, with 31 percent saying that poverty is “an inevitable part of modern life,” and 10 percent saying that those who experience poverty are “unlucky.”

Respondents may have been divided about the causes of poverty, but there was strong consensus that there is a role for government in addressing it, with 80 percent believing that the government has some responsibility for tackling poverty. And the political landscape in this area has shifted enormously in recent years. Poverty barely featured as an issue in the 1997 general election. But in the run-up to the next election, it looks like an issue that will take center stage.

Labour was criticized from the left for failing to make the child poverty goal central to their narrative in the run-up to the 2001 and 2005 elections, and their policy was described as “redistribution by stealth.”⁶⁰ Since then, the government has promoted the

target more strongly. Work and Pensions Minister James Purnell has described the pledge as the “nerve center” of the Labour Party, capable of uniting disparate factions and linking “the Labour Party of 1908 with the Labour Party of 2008.”⁶¹

Action has accompanied this rhetoric with the formation in 2008 of a Child Poverty Unit to provide a focus for the government’s work on child poverty, which cuts across the work of the Department for Work and Pensions, the Department for Children Schools and Families, and the HM Treasury. The child poverty rhetoric has also been used to justify tougher welfare reforms, both in the case of increases in sanctions for those who do not work, and in the latest round of legislative proposals for welfare reform, which cite “our ultimate ambition of a society free from child poverty—where all children enjoy a good childhood and no one’s life chances are limited by their background” in support of a range of proposals to increase the requirements placed on those out of work.⁶²

Prime Minister Gordon Brown also placed the target center stage at this year’s leaders speech to the Labour Party conference, promising to introduce legislation to ensure that the target is permanent—or that a future government would have to introduce counter legislation to repeal it.⁶³

It’s unsurprising for a left-of-center party to talk about its own target to tackle child poverty. Yet Conservative politicians, while saying that eradicating child poverty remains an “aspiration” rather than a target, have increasingly focused on tackling poverty in speeches and policy documents. Party leader David Cameron, in a speech in October 2007, set out his ambition to “make British poverty history” in rhetoric perhaps closer to that of Tony Blair than to Margaret Thatcher:

“Poverty is not acceptable in our country today. Not when we are the world’s fifth biggest economy ... not when we have people who earn more in a lunchtime than millions will earn in a lifetime ... not when we now understand so clearly how wealth is created and poverty eradicated. I believe that we can make British poverty history. But only if we have the strength to carry out the radical welfare reform and the social changes that everyone knows we need. So when I say that we can make British poverty history please do not tell me that it cannot be done.”⁶⁴

Talking about poverty represents part of a broader Conservative Party effort to lose what many saw as their reputation as the “nasty” party, based in part on an aggressive anti-immigration stance taken in the 2005 election. The party has also emphasized green issues and talked about the importance of promoting work-life balance. But particular focus has been given to poverty in recent months, with a focus on critiquing Labour’s progress in this area.

David Cameron rhetorically asked in the run up to the Glasgow by-election in July, “Gordon Brown, wasn’t Labour supposed to end this degrading poverty?” And shadow Chancellor George Osborne, in an August article in *The Guardian*, argued that, “on

fairness and progressive goals, the Conservatives are leading the agenda,” citing increases in the numbers of children living below 40 percent of median income since Labour came to power.⁶⁵

Using this measure of so-called severe poverty has become a persistent line of attack by the Conservatives. The independent Institute for Fiscal Studies, however, has cast significant doubt on the reliability of the figures, calculating the number living in “severe poverty” below 40 percent of median income and pointing out that these contain many of the self-employed, whose incomes are erratic and difficult to record.⁶⁶ It is also clear that the Conservative approach to tackling poverty would be very different from that described above, focusing on what they have christened “social breakdown.” Shadow Work and Pensions Secretary Chris Grayling, for example, stated in an article in *The Guardian* that the focus should be on tackling “family breakdown”—particularly drug and alcohol addiction—and suggested that additional redistribution to families would no longer be successful.⁶⁷

The methods and measurement for child poverty may remain contentious, but the aim of tackling poverty is clearly no longer in question. This is perhaps best expressed by the reaction to David Cameron’s speech from the broadly conservative newspaper, the *Daily Mail*, which expressed some skepticism, but concluded that tackling poverty is a goal that cannot be disputed:

“This has been an extraordinary week for the Tory party: one that dismayed Conservative traditionalists over the way David Cameron is putting the ‘moral disgrace’ of poverty at the heart of his political agenda. [but] ... The moral case for helping the 20 percent of our fellow citizens stuck on the lowest rung of the economic ladder is surely unanswerable, especially in a party that has always sought to promote One Nation.”⁶⁸

Discussion and future issues for the U.K.

The U.K. has made substantial progress both in lifting children out of poverty and in recognizing that this as an important political goal. But 22.3 percent of children still live in poverty, and more progress is necessary if even the interim target of halving child poverty is to be met. The U.K.'s experience so far offers lessons regarding which aspects of the program have helped make it successful, how the U.K. can achieve its target goals, and what future issues are on the horizon.

The child poverty target has been pivotal in focusing policy attention

The existence of a clear numerical target for the reduction of child poverty, together with an annual report showing progress toward this goal, has been key in focusing policy attention on the issue. Increases in financial support for children, and efforts to boost parental employment have been clearly targeted at reducing the numbers of children below the poverty line. When progress has stalled, the annual measure has both demonstrated this and provided a spur to government to take action—under pressure from campaigners. This is perhaps most clearly demonstrated in the 2008 budget where, expecting that the figures on child poverty would be disappointing, the government made a substantial investment in support for children.

The annual measurement of child poverty has been valuable in exposing the parts of the strategy that are working well. Around half of poor children now live in families where at least one parent is in work, revealing that a strategy focused solely on increasing employment will not be effective.

The politics of poverty can move—but this requires leadership

Tackling poverty remains relatively low on the public's agenda. But there is now a strong political focus on this issue. Leadership from politicians, rather than public opinion, was necessary to set a target and take action to meet it. Moreover, politicians made this commitment without necessarily having a full-fledged strategy—the goal and resources to back it were enough to ignite energy and spur action. The fact that politicians of both parties now agree that tackling poverty must be a priority suggests the importance of such leadership in shaping the political debate. And setting a concrete goal has provided a measurable benchmark against which divergent proposals to tackle poverty can be assessed.

Increases in employment do not require tough sanctions

The United States' success in increasing the employment of single parents following welfare reform in the 1990s is often seen as justifying a tough sanctions-based approach to increasing employment. Yet the U.K. has achieved a significant increase in the numbers of single parents moving into work by using incentives, rather than penalties.

The U.S. employment rate for single parents rose rapidly between 1994 and 2000, but the U.K. has achieved comparable rises between 1997 and 2005. These rises actually compare somewhat different populations. The United States defines single parents as non-married parents, whereas the U.K. counts only non-cohabiters as single parents. A comparison of employment rates for parents without another adult living with them could cast an even more impressive light on the U.K. experience.

Much of the progress in the U.K. appears to have been caused by increases in financial support for low-wage workers. The role of increased childcare is difficult to assess, but it is single parents' most frequently cited barrier to work, and it is therefore hard to imagine that this has not made a substantial difference.

The British government has now decided that a more sanctions-based approach will be necessary in order to make further progress, although time limits are not under consideration. Parents will not be totally disconnected from financial support, but the amount of benefit paid to the parent will be reduced by 40 percent if they fail to comply with work requirements. Child-related payments will not be affected. Yet the U.K. experience to date shows that very significant employment increases can be achieved within a system where single parents face no obligations to either look for work or take up jobs. The effectiveness of sanctions in further raising employment remains to be seen.

Financial support helps both working and workless families

Some policymakers also contend that increases in support for the poorest children will damage incentives for these parents to find employment. Labour's strategy has rested on ensuring that families will be better off in work than they would be by claiming benefits, but they have also substantially increased resources for those who have not found jobs. The poverty rate for workless single parents fell by 6 percentage points between 1998–99 and 2004–05 at the same time as the employment rate for all single parents was increasing.⁶⁹ There is no counterfactual to tell what would have happened to employment and poverty in the absence of increases in support for the poorest children, but the U.K. experience shows that support can be increased for both working and workless families in conjunction.

Policy delivery matters and change takes time

Two major schemes intended to tackle child poverty—new tax credits and the Child Support system—have been far less effective than they could be due to delivery problems. Both the tax credit system⁷⁰ and the new Child Support scheme⁷¹ introduced in 2003 were hampered by major information technology failures, which meant that many of the poorest families failed to receive payments they were due.

Both schemes also failed to take into account the needs of the families they were designed to serve. Failure to enforce child support payments ignored substantial evidence suggesting that many non-resident parents were reluctant to make payments to their former partners. And the design of the tax credit system, where families are required to report all changes in their circumstances, appeared not to have taken into account the volatility of low incomes for many families.⁷² These problems have damaged not only the success, but also the reputation of these initiatives, and show the importance of ensuring that policies are well-targeted and possible to deliver. Greater attention needs to be paid to best practice in existing delivery, and learning from the ground up.

The U.K. experience moreover shows that delivering change takes time. The roll out of the childcare strategy has taken longer than expected, and reductions in child poverty have been less than hoped for. But this does not mean that change is impossible; the clear reductions in child poverty achieved show that progress can be made, and the fact that it is slower than expected should not be a reason to mark the strategy as failing.

Depth and incidence of poverty are both important

The Conservatives' attacks on Labour for failing to tackle "severe" poverty may not be founded on reliable data, but they do reflect a perception that policies have been more successful at helping those closer to the poverty line, even if they have not been deliberately targeted in this manner. The relative nature of the poverty measure in the U.K. means that "the poor" are a broader and more varied population than those falling below the U.S. poverty line.

Evaluations of welfare to work programs in particular have shown that they struggle to meet the needs of those with multiple barriers to employment. The gap between the overall employment rate and that for various disadvantaged groups such as single parents, minorities, and disabled people has narrowed, but the gap for those with the lowest skills has increased.⁷³

There are also concerns that Children's Centers are failing to reach the most disadvantaged,⁷⁴ and that these groups are the ones who are failing to take advantage of their entitlement to free early education.⁷⁵ These findings may be seen as inevitable—the

inverse care law dictates that those who need services most are often those who are least well served. But as poverty declines it is likely that new or refined strategies will be needed to help those left behind.

The government has invested in out-of-work families, but the core anti-poverty strategy has been moving more parents into employment. Less attention has been given to interim outcomes that may represent a step toward work for those families who are not able to do this immediately. A “think family” approach is now being piloted for families with multiple problems, including poverty, parental worklessness, lack of qualifications, parental mental health, substance abuse, poor housing, and contact with the criminal justice system. The program is intended to join up adult and children’s services,⁷⁶ but no clear outcomes have so far been set. A future challenge will be how best to support families who are not in employment, helping them move toward this goal and ensuring that children in these families do not miss out while they do so.

Attention must be paid to job retention and in-work poverty

Increases in parental employment have been substantial, but reducing child poverty will require that these jobs are sustained, and that employment is enough to guarantee an escape from poverty. At present, neither of these conditions seems to have been fulfilled. Nearly a third of single parents who found work through the government’s flagship employment program had exited within a year, and about half of all poor children now live with at least one working parent. These two issues are intimately linked; research shows that, for single parents at least, low pay is a strong predictor of job exit.⁷⁷

The government has begun to look at issues of job retention via its Employment Retention and Advancement pilot, and has announced its intention to measure success in job entry after someone has kept that job for six rather than three months.⁷⁸ Less attention has been paid to the role of in-work poverty, in part because further analysis is needed to disentangle the relative roles of wages, the number of earners in a family, and tax credits or other earnings supplements, on the one hand; and childcare costs, housing, and other expenses on the other.

Designing the right instruments to ensure that working families can best escape poverty will be complex, but this is clearly an urgent policy challenge for the U.K.

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