

# Child Poverty Review

---

July 2004



HM TREASURY





HM TREASURY

---

# Child Poverty Review

July 2004

© Crown copyright 2004

Published with the permission of HM Treasury on behalf of the Controller of Her Majesty's Stationery Office.

The text in this document (excluding the Royal Coat of Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be sent to:

The Licensing Division  
HMSO  
St Clements House  
2-16 Colegate  
Norwich  
NR3 1BQ

Fax: 01603 723000

E-mail: [licensing@cabinet-office.x.gsi.gov.uk](mailto:licensing@cabinet-office.x.gsi.gov.uk)

## **HM Treasury contacts**

This document can be accessed from the Treasury Internet site at:

**[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)**

For further information on the Treasury and its work, contact:

Correspondence and Enquiry Unit  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Tel: 020 7270 4558

Fax: 020 7270 5718

E-mail: [ceu.enquiries@hm-treasury.gov.uk](mailto:ceu.enquiries@hm-treasury.gov.uk)

Printed by The Stationery Office 07/04 976914

ISBN: 1-84532-030-1

# CONTENTS

---

	Page
<b>Foreword</b>	3
<b>Executive Summary</b>	5
<b>Chapter 1</b> Introduction	9
<b>Chapter 2</b> Causes and consequences of child poverty	15
<b>Chapter 3</b> Work for those who can and financial support for families	19
<b>Chapter 4</b> Tackling material deprivation	39
<b>Chapter 5</b> Improving life chances for poor children	49
<b>Chapter 6</b> Conclusion	85
<b>Annex A</b> Consultation by the review	89
<b>Annex B</b> Children in low-income households	97
<b>Annex C</b> Public Service Agreements contributing to tackling child poverty	99



# FOREWORD

**No child should ever be left out or left behind.**

Yet the concentration of poverty amongst households with young children is the greatest indictment of our country in this generation and the greatest challenge of all.

In 1997, one in every three babies born in Britain were born into low-income households – born not into opportunity but into poverty. And we know that an infant who then grows up in a poor family is less likely to stay on at school, or even to attend school regularly, less likely to get qualifications and go to college, more likely to be trapped in the worst job or no job at all, more likely to be trapped in a cycle of deprivation that is lifelong, unable to reach their full potential – a young child's chances crippled even before their life's journey has barely begun.

So action to eradicate child poverty is the obligation this generation owes the next. Tackling child poverty is, for us, the critical first step in ensuring that each child has the chance to develop their potential to the full. And as a first step, we have sought to reduce the number of children in relative low-income households by at least a quarter by April 2005.

So far, measured by absolute low income, 2 million children have been lifted out of poverty; so far too, measured by relative low income, half a million children have been lifted out. And there is general agreement that having allocated resources to raise the Child Tax Credit for the poorest families, we are on track to meet our target of reducing child poverty by a quarter by April next year.

But we are not complacent in any way nor will we relax our efforts or allow them to be stalled. The next step – our goal of, by 2010, reducing child poverty by half – is even more challenging. And so in Budget 2003, I announced a review of policy towards child poverty to identify the next steps across the entire range of policies to improve the life chances of poor children, and move us towards our next goal. This document sets out the work in progress and the further developments, which are a central part of the 2004 Spending Review to improve outcomes for poor children.

I am very grateful to representatives of the 220 organisations across the public, private and voluntary sectors who have contributed to the review, helping to map aspects of poverty such as indebtedness, the role of disability and the potential of major public services and the tax and benefits system to work better together against child poverty.

Acting together we can make a difference and ensure for every child the best possible start in life.



Gordon Brown



# EXECUTIVE SUMMARY

Every child deserves the best start in life, with opportunities to develop their full potential and lead fulfilling lives.

In the mid to late 1990s, the UK suffered higher child poverty than nearly all other industrialised nations. Over a period of 20 years, the proportion of children in relative low-income households had more than doubled.

The Government therefore set an ambitious long-term goal to halve child poverty by 2010 and eradicate it by 2020. As a first step, the Government has sought to reduce the number of children in low-income households by at least a quarter by 2004-05.

The Government has increased financial support for children through tax credits, Child Benefit and other benefits by £10.4 billion since 1997, a real terms rise of 72 per cent. As a result, combined with its success in helping parents into work, the previous trend toward increasing levels of child poverty has been arrested and reversed. Between 1998-99 and 2002-03, the number of children in relative low-income households fell by around 500,000, and the Government is broadly on track to achieve its Public Service Agreement (PSA) target to reduce by a quarter the number of children in relative low-income households by 2004-05.

The Government remains determined to make progress beyond 2004-05 and recognises that further investment and reform are needed to meet the goals of halving child poverty by 2010 and then eradicating it by 2020.

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

More needs to be done, particularly in relation to the contribution that mainstream public services make in improving poor children's life chances and thus breaking cycles of deprivation. In Budget 2003 the Chancellor therefore announced the child poverty review, which has examined both the welfare reform and public service changes necessary to advance towards the long-term goal of halving and eradicating child poverty.

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

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

The review's findings under these themes are set out below. The review team have worked closely with government departments, academics, voluntary and community sector organisations and others involved in service delivery. The review includes both medium-term plans emerging from the 2004 Spending Review, and an assessment of the longer-term direction which policy needs to take in order to meet the Government's new child poverty target set out in the Spending Review.

Next steps to help parents into work and provide financial support for families include:

- a new target, shared by the Department for Work and Pensions and HM Treasury to: *halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020;*
- setting a target to halve by 2010-11 the number of children suffering a combination of material deprivation and relative low income;
- more work-focused interviews, and work search premiums to encourage lone parents and non-working partners in low-income families into work;
- *reducing the proportion of children living in workless households by 5.0 per cent between Spring 2005 and Spring 2008;*
- *increasing the proportion of Parents with Care on Income Support and income-based Jobseeker's Allowance who receive maintenance for their children to 65 per cent by March 2008;*
- enhancing the provision of good quality, accessible childcare. The Sure Start Unit has a new target: *as a contribution to reducing the proportion of children living in households where no one is working, by 2008: increase the stock of Ofsted-registered childcare by 10 per cent; increase the take up of formal childcare by lower income working families by 50 per cent; and introduce, by April 2005, a successful light-touch childcare approval scheme;*
- a long-term aspiration to improve the financial support available to large families; and
- analysing data on take-up of income related benefits and tax credits to assess whether there are systematic differences by ethnic group.

While helping parents into work and providing financial support to families will help tackle material deprivation, improving the availability of decent housing and enhancing financial inclusion are also critical. The Government will therefore:

- provide resources for a significant increase in new social housing to contribute to a significant reduction in the number of families with children who would otherwise have been homeless;
- continue to deliver more decent homes in the social sector in order to ensure that all social housing is decent by 2010;
- ensure that 70 per cent of households in the private sector (one third of which are families with children) are living in a decent home by 2010, with a new PSA target that highlights the needs of children in this group;
- abolish the 'double debt' rule and lower the repayment rate for Social Fund Budgeting Loans; and
- work in partnership with the private and voluntary sectors to develop models which make more affordable loans available to those on low incomes.

Key public service measures, both universal and those targeted on deprived areas, are critical to improving poor children's life chances, thus breaking cycles of deprivation. The 2004 Spending Review has provided for:

- additional investment in childcare places and services for disadvantaged children of £669 million by 2007-08 compared to 2004-05;
- 1,700 Children's Centres, one in each of the 20 per cent most disadvantaged wards in England by 2007-08;

- new, more challenging PSA floor targets to drive up standards in schools located in deprived areas with monitoring of the bottom 10 to 20 per cent of educational under-achievers and separate monitoring of the most vulnerable groups;
- a review to assess whether schools in deprived areas are treated equitably and whether they are putting resources to the best possible use;
- expanded parenting support with targeted help accessible at key transition points in children's lives;
- extended coverage of Child and Adolescent Mental Health Services (CAMHS) to all 16 and 17 year olds and continued progress on the CAMHS PSA target;
- enhancement of the evidence base on whether children from lower socio-economic groups have access to the healthcare services they need;
- further work on tackling public health issues that disproportionately affect children from lower socio-economic groups, including a new PSA target on childhood obesity;
- further work on accessibility planning, incorporating this into local authorities' next Local Transport Plans due in July 2005;
- implementing the conclusions of the bus subsidy review, as part of which the Department for Transport will continue to work on the system for administering concessionary fares to ensure maximum benefits for those who need them;
- the expansion of early intervention programmes for young offenders including Youth Inclusion Projects, Youth Inclusion and Support Panels and Intensive Supervision and Surveillance Panels;
- sentence reform through a new National Offender Management System so that, through better use of community sentences and fines, fewer children of offenders are separated from their parents; and
- pilots of Women's Community Centres as a radical new approach to identifying the best way to reconnect women offenders with support services and integrate them back into the community upon release.

The child poverty review also outlines the need for continued collaboration between central and local government and government and the voluntary and community sector. The Government is establishing a 'child poverty accord' between the Local Government Association and central government, which will support further co-ordination.



# INTRODUCTION

## BACKGROUND TO THE REVIEW

### Outcomes for children

**I.1** The Government wants all children to have the best possible start in life, both for the sake of a happy childhood and to enable them to achieve their full potential in adult life. The Government wants to ensure that every child has the opportunity to achieve the good outcomes that some children may take for granted: economic well-being; enjoying and achieving; being healthy; staying safe; and making a positive contribution.<sup>1</sup>

**I.2** The human rights of children and the standards to which governments must aspire in realising these rights are articulated in the United Nations Convention on the Rights of the Child. The UK's second periodic report on the Convention, published in 1999, made it clear that the Government is committed to implementing changes which will be of direct benefit to children and which fully accord with the principles of the Convention.<sup>2</sup>

**I.3** The Government's strategy for achieving equal opportunities for poor children and thus eradicating child poverty was outlined in 2001 and involves:<sup>3</sup>

- ensuring decent family incomes, with work for those who can and support for those who cannot;
- supporting parents in their parenting role;
- delivering high quality public services to break cycles of deprivation; and
- harnessing the power and expertise of the voluntary and community sectors.

The review builds on the progress to date and on plans that have already been agreed.

### The Government's commitment to tackling child poverty

**I.4** In the late 1990s the UK suffered higher child poverty than nearly all other industrialised nations. Over a period of 20 years, the proportion of children living in relative low-income households had more than doubled. In 1997, the Government set out the case for tackling division and inequality in society and the need for strong families and communities. It underlined the importance of providing employment opportunities for those who can work as part of a modern welfare state.

**I.5** A growing body of evidence highlighted the extent of child poverty in the UK, the deterioration in levels of child poverty, the UK's poor performance on child poverty compared to other major developed countries and the resultant harm to individuals, communities and society.<sup>4</sup>

**I.6** In response to this, in 1999 the Prime Minister pledged to eradicate child poverty within a generation. The 2000 Spending Review included a Public Service Agreement (PSA) target to *make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004*, held jointly by HM Treasury and the Department for Social Security.

<sup>1</sup> These are the five outcomes identified in *Every child matters*, Department for Education and Skills, September 2003.

<sup>2</sup> Committee on the Rights of the Child, Consideration of reports submitted by states parties under article 44 of the Convention. Periodic reports of States parties in 1998, United Kingdom of Great Britain and Northern Ireland, September 1999. CRC/C/83/Add.

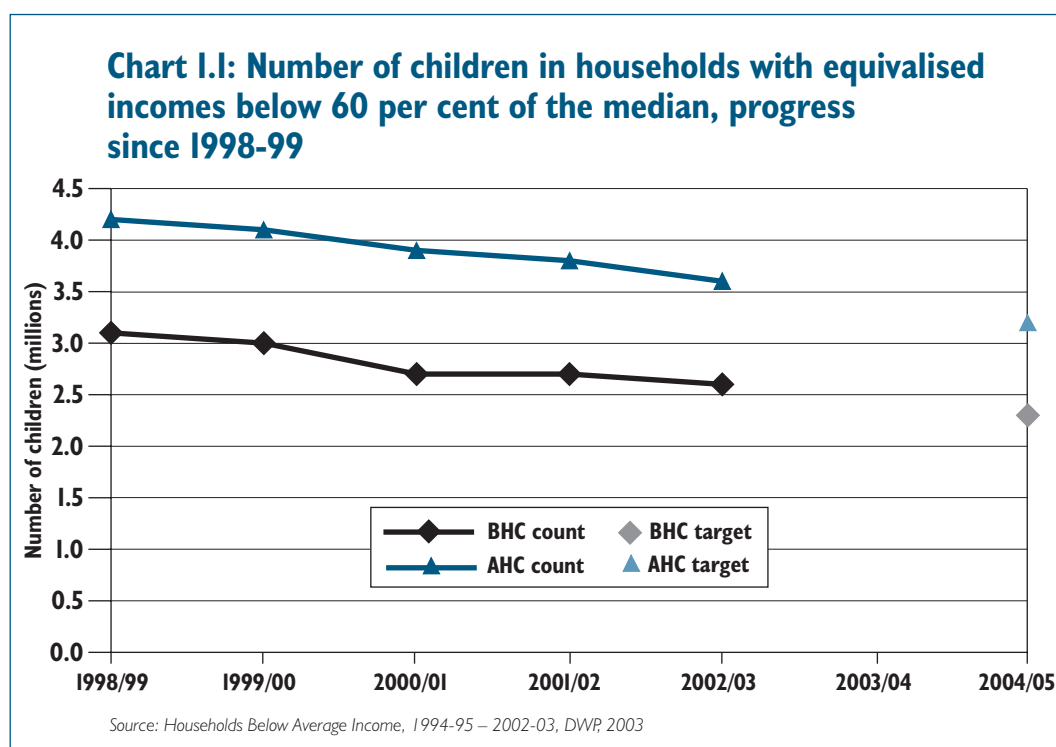
<sup>3</sup> *Tackling child poverty: giving every child the best possible start in life*, HM Treasury, December 2001.

<sup>4</sup> These points were summarised in *Tackling child poverty: giving every child the best possible start in life*, HM Treasury, December 2001.

**1.7** The 2002 Spending Review consolidated these ambitions as a shared HM Treasury and Department for Work and Pensions (DWP) PSA target: *to reduce the number of children in low-income households by at least a quarter by 2004-05, as a contribution to the broader target of halving child poverty by 2010 and eradicating it by 2020*. In addition, other 2002 PSA targets were formulated to contribute to the long-term goal of eradicating child poverty, for example tackling health inequalities, reducing teenage pregnancy and setting child development targets within the Sure Start programme.

**1.8** The Government’s annual *Opportunity for all* report summarises key policies and monitors the Government’s progress on tackling poverty and social exclusion across a range of indicators for children, working age adults, pensioners and communities.<sup>5</sup> In addition, the bi-annual *National Action Plan on Social Inclusion* describes the most important issues in the UK in the fight against poverty and social exclusion.<sup>6</sup> This contributes to the European Union’s long-term goal that there should be a decisive impact on the eradication of poverty, across Europe, by 2010.

**Progress so far 1.9** Since 1997 policy development, new resources and specific interventions have been directed towards improving outcomes for poor children. As a result, between 1998-99 (the baseline year for the PSA target) and 2002-03 (the latest data available) the number of children in relative low-income households fell from 3.1 million to 2.6 million on a before housing costs basis and from 4.2 million to 3.6 million on an after housing costs basis.<sup>7</sup> This puts the Government broadly on course to meet the 2004-05 PSA target. Chart 1.1 shows progress against the target to date.



<sup>5</sup> *Opportunity for all: fifth annual report*. Department for Work and Pensions, September 2003.

<sup>6</sup> *United Kingdom National Action Plan on Social Inclusion 2003-05*, Department for Work and Pensions, July 2003.

<sup>7</sup> *Households below average income 1994/95 – 2002/03*, Department for Work and Pensions, March 2003. Low-income is defined as households with less than 60 per cent of contemporary median income, equivalised to take account of households size and structure. The 2004-05 target is measured on both a before housing costs and after housing costs basis to take into account variations in housing costs that do not correspond to comparable variations in housing quality.

**I.10** *Opportunity for all* provides details of progress against the relative low-income target and a number of other indicators, including absolute and persistent low income, educational attainment, health outcomes and housing decency. The fifth *Opportunity for all* report, published in September 2003<sup>8</sup>, demonstrated that out of 20 indicators for children, 12 were moving in the right direction, three indicators were broadly constant or showed no significant movement and for five indicators, there were insufficient data to determine a trend. No indicator was moving in the wrong direction. This shows that progress is being made across a range of policy areas, and moreover, in many cases the impact of new measures does not show up in the data due to a lag between the collection and publication of results; and due to the time it takes for some policies to achieve their full impact.

**I.11** Although progress has been made, the Chancellor explained in Budget 2003 that the Government would intensify efforts to work towards the longer-term goal of halving and eradicating child poverty. In particular the Government wants to make sure that enough is being done through key public services to improve poor children's lives and give them opportunities to enhance their life chances, thus breaking cycles of deprivation. The child poverty review is a key step in taking this forward.

**Terms of reference for the review** **I.12** The child poverty review's terms of reference were: to examine both the welfare reform and public service changes necessary to advance towards the long-term goal of halving and eradicating child poverty.<sup>9</sup>

**I.13** Specifically, the review was designed to set out the policies necessary to:

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

## SCOPE AND APPROACH OF THE REVIEW

**Scope of the review** **I.14** The focus of the child poverty review has been largely on children up to the age of 16 and those aged 16-18 in full-time education. A separate review has considered financial support for 16-19 year olds, with a focus on reducing the numbers not in education, employment or training.<sup>10</sup> While the multiple risk factors faced by children in care are a key concern for the Government, the child poverty review does not cover this group given ongoing work on the implementation of the Children's Green Paper *Every child matters*, notably the consolidation of responsibilities for children in care within the Department for Education and Skills.<sup>11</sup>

<sup>8</sup> *Opportunity for all: fifth annual report*, Department for Work and Pensions, September 2003.

<sup>9</sup> *Chancellor announces progress on work for the next Spending Review*, HM Treasury Press Notice 82/03, July 2003. [http://www.hm-treasury.gov.uk/newsroom\\_and\\_speeches/press/2003/press\\_82\\_03.cfm](http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2003/press_82_03.cfm).

<sup>10</sup> *Supporting young people to achieve: towards a new deal for skills*. HM Treasury, Department for Work and Pensions and Department for Education and Skills, March 2004.

<sup>11</sup> For an update on taking forward *Every child matters*, see: <http://www.dfes.gov.uk/everychildmatters/>

**I.15** While the Government is firmly committed to tackling international child poverty, it is beyond the scope of this review, which focuses on the UK as a whole in relation to reserved matters (such as financial support for families and active labour market policies) and England only for devolved matters (such as education and health policy). As part of the review, all four countries of the UK discussed best practice in tackling child poverty.

**Approach of the review** **I.16** The child poverty review has worked closely with the childcare review<sup>12</sup> in considering both the vital role childcare plays in enabling parental employment and in relation to early years education and child development.

**I.17** The child poverty review has also linked with the review of the voluntary and community sector<sup>13</sup> in taking forward the Government's commitment to working with the sector, particularly in relation to the provision of parenting support. In addition, the child poverty review has drawn on the assessment of the impact of Government policy on social exclusion undertaken by the Social Exclusion Unit.<sup>14</sup>

**I.18** A series of seminars were held between late 2003 and early 2004. These enabled the Government to consult widely with the research community, those delivering services at the front line, the voluntary and community sectors, representatives from primary care trusts, the criminal justice system, local authorities and trade unions. Approximately 220 organisations contributed to the seminar programme. In addition written submissions and e-mail correspondence were received. The review team are very grateful for all the support they received. A full list of the seminars, and organisations that contributed to the review, can be found in Annex A.

## STRUCTURE OF THE REPORT

---

**I.19** The report is structured as follows:

- Chapter 2 provides a brief analysis of the causes and consequences of child poverty;
- Chapter 3 outlines progress and next steps in helping parents into work through tackling barriers to employment, active labour market policies and making work pay. It also summarises progress and next steps in financial support to families;
- Chapter 4 provides details of policies to tackle material deprivation, in addition to those outlined in Chapter 3. Specifically it considers tackling homelessness, improving housing availability and housing decency; and financial inclusion;
- Chapter 5 looks at other key public services, both area-based and universal, that contribute to improving poor children's life chances and breaking cycles of deprivation: early years services, education, parenting support, health services, transport, services to prevent child crime and anti-social behaviour and services to support families experiencing parental offending, domestic violence and parental substance misuse. Many of these involve a focus on poor children living in deprived areas. The chapter looks at the links between these services and child poverty, progress to date and next steps;

---

<sup>12</sup> The childcare review was also launched in Budget 2003, and its findings informed the 2004 Spending Review settlement for the Sure Start Unit, announced in Budget 2004.

<sup>13</sup> The voluntary and community sector review was commissioned in Budget 2003. Interim findings are set out in the 2004 Spending Review White Paper and final findings will be reported in the autumn.

<sup>14</sup> For the latest information on the Social Exclusion Unit's *Impact and Trends* project see: <http://www.socialexclusionunit.gov.uk/impactstrends/impacts220304.htm>

- Chapter 6 draws together the key conclusions of the review to outline a renewed long-term strategy for tackling child poverty. It highlights the need for concerted cross-government action and the key role played by the voluntary, community and faith sectors and local government.

**I.20** Recent and new policies of particular relevance to tackling child poverty are highlighted in the text.