Britain's war on poverty

What steps did the Labour government take to fulfil its pledge to end child poverty in a generation, how successful were these efforts and what further steps are needed to achieve the goal? In a new book, *Jane Waldfogel*, a leading US researcher on public policy, examines Britain's war on poverty.

In March 1999, Prime Minister Tony Blair made a remarkable pledge – to end child poverty in a generation. Gordon Brown, then Chancellor and later Prime Minister, set a further target of cutting child poverty by half in ten years and committed considerable resources to attaining this goal.

The anti-poverty initiative of the past decade consisted of three strands: a set of measures to promote work and 'make work pay'; increased financial support for families; and a series of investments in children. Here, I review the three strands of the reform effort, summarise what we know about its effects and offer some thoughts about next steps if the coalition government is to continue Britain's war on poverty.

Promoting work and making work pay

The first strand included the New Deal for Lone Parents, a primarily voluntary welfare-to-work scheme launched in 1997. It was not until 2008 that some lone parents – those whose youngest child had reached the age of 12 – were required to work or look for work.

Labour's anti-poverty initiative consisted of measures to promote work and 'make work pay', increased financial support for families and investments in children

This strand also included measures to make work pay, including the national minimum wage introduced in 1999, tax reductions for low-income workers and their employers, and a new tax credit, the working families tax credit, which was later replaced by the more generous working tax credit.

Together, these reforms were successful in promoting work. Lone-parent employment increased by 12 percentage points – from 45% to 57% – between 1997 and 2008, with at least half of this increase attributable to the reforms. In addition, the incomes families could expect from work also increased.

Increasing financial support for families with children

The second strand of the reforms was a set of measures to raise incomes for families with children, whether or not parents were in work. Child benefit levels were raised substantially starting in 1999, with particularly large increases for families with young children. Income support benefits for families with young children were also raised. The government also introduced a new children's tax credit for low- and middle-income families with children (later replaced by the integrated child tax credit).

Investing in children

Investments in children were the third strand. These were seen as essential to address the 'intergenerational' effects of poverty and reduce the risk of poverty being passed on from one generation to the next.

An extensive set of reforms focused on the early years: the period of paid maternity leave was doubled to nine months; two weeks of paid paternity leave were introduced; universal pre-school for three and four year olds was introduced; childcare assistance for working families was expanded, and legislation was enacted placing a duty on local authorities to provide adequate childcare; parents with young children were given the right to request part-time or flexible working hours; and the Sure Start programme was rolled out for infants and toddlers in the poorest areas.

For school-age children and adolescents, there was a series of measures to improve education. Class sizes were reduced in primary schools, and national literacy and numeracy strategies directed teachers to spend at least an hour a day on reading and an hour on maths. Later efforts focused on improvements

in secondary schools and measures to persuade more young people to stay on at school (including raising the minimum school-leaving age). Test score data showed progress in terms of overall levels of achievement and also narrowing gaps.

Together, these anti-poverty initiatives reflected a very sizeable investment in children, with the additional benefits disproportionately going to the lowest income children. By April 2010, the average family with children was £2,000 a year better off, while families in the bottom fifth of the income distribution were £4,500 a year better off.

The reforms increased family expenditure on items for children and led to improvements in their well-being

The impact on child poverty

When Tony Blair declared war on poverty in 1999, 3.4 million children – one in four – were in poverty, using both the absolute and relative measures of poverty. But trends after 1999 depend on which measure is used.

Absolute poverty (using the official government measure tied to living standards in 1998/99, uprated only for inflation) fell by more than 50% (1.8 million) by 2008/09, while relative poverty (using the official government measure of the poverty line as 60% of average income) fell by 15% (600,000 children).

The two measures tell a different story because the relative measure is affected by changes in the income of the median family. The fact that absolute poverty plummeted, while relative poverty fell less sharply, means that the incomes of families at the bottom rose, but not as fast as the incomes of families in the middle.

Statistics on the third official measure – material deprivation – confirm that there were sharp and sustained decreases in material hardship and financial stress for the most vulnerable families.

Analysis of poverty data for Europe and the United States confirms that these reductions in child poverty were not inevitable but rather the result of government policy. With overall levels of inequality increasing over the period, relative child poverty rates would have risen had the child poverty initiative not been undertaken. Seen from this perspective, the poverty effects, even on the relative measure, are impressive. And there is also evidence that the reforms increased family expenditure on items for children and led to improvements in their well-being.

Making further progress

In thinking about next steps, we must first understand which children are poor and which factors raise the risk of poverty. The demographic data indicate that 55% of poor children live in families in which at least one parent is already working (46% in two-parent families and 9% in one-parent families). A further 29% live in one-parent families where the parent is not working. The remaining 16% live in two-parent families where no parent is working.

There are also some cross-cutting factors, such as parental disability and large family size, which increase the risk of poverty. In addition, child poverty rates are much higher for some ethnic groups, in particular, Pakistani and Bangladeshi families.

These demographics create five challenges that policy-makers must address if they are to make further reductions in child poverty. The first is to do more to raise incomes in working families, through measures such as expanding childcare and other in-work support for those on the lowest incomes, raising the value of the minimum wage, improving incentives to work additional hours and expanding measures to improve the skills and qualifications of low-skilled workers.

The second challenge is to move more lone parents into work. Helpful measures here include expanded childcare supports as well as strengthened child support enforcement.

The third challenge is to address poverty in workless two-parent families. Here, I recommend a personal advising model (along outlines by CMPO's Paul Gregg in his December 2008 review, *Realising Potential: A vision for personalised conditionality and support*), alongside policy measures such as expanded childcare supports.

The fourth challenge is to address the elevated risk of poverty in Pakistani and Bangladeshi families. While some of the factors underlying this have been identified (mothers in these families have low employment rates, fathers' earnings are low, family size tends to be large and there are often non-working extended family members), it is not clear what the policy response should be. So here I recommend more research on the experiences of these families, as well as more local efforts and initiatives.

The fifth challenge is to address underlying trends in income inequality. One important priority must be to continue to work to raise skills at the bottom of the income distribution, to promote more social mobility and to narrow the gap between the bottom and the middle of the income distribution.

Finally, a word about measurement. The experience of the past decade offers some clear lessons. As described above, the government uses three official measures of poverty, and each one has provided useful information. The relative measure tracks trends in inequality, while the absolute measure and material deprivation measure shed light on changing living standards for low-income families.

Although using the three measures increases complexity, it also increases our understanding of poverty and the role that policies play. So I think that using all three measures is a sound decision and one that should be carried forward.

The New Labour legacy

Tony Blair and Gordon Brown not only achieved a dramatic reduction in child poverty, they also put child poverty on the national agenda. It is notable that even while making deep cuts, the coalition government has emphasised its commitment to protect benefits for the poor. Although it remains to be seen to what extent this commitment will be maintained, it is nevertheless striking that it is being articulated.

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