



The Spending Review 2010

Ending child poverty and securing a stable economy

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Executive summary

'We will maintain the goal of ending child poverty.'

'We will introduce arrangements that will protect those on low incomes from effect of public sector pay constraint and other spending constraints.'

The Coalition: Our Programme for Government

The Government is committed to both restoring economic stability and ending child poverty. This submission argues that the two go hand in hand. A failure to put in place the policies needed to make the target achievable will undermine the credibility of the Government's commitment to the 2020 target. An increase in economic inequality or growth in economic exclusion will destabilise both society as a whole and the economic recovery in particular.

Child poverty – progress since 1998

- The latest *Households Below Average Income* survey shows that that child poverty fell by 600,000 since 1998/99.
- Child poverty would need to fall by a further 2.6 million to meet the Child Poverty Act targets.
- Progress on child poverty over last decade needs to be analysed and evaluated to avoid a situation in which policies and programmes that worked well are cut, while resources are targeted on less effective initiatives.

What should the Spending Review deliver?

In 2009, CPAG published *Ending child poverty: a manifesto for success*. The economic crisis and the Government's desire to make swift reductions to the deficit have not changed CPAG's analysis of the nature of poverty or its impact on families.

1. Make work pay
2. Mend the safety net
3. Fair public services for those who need them the most
4. Tackle inequality

1. Make work pay

Protect jobs

- Generate sustainable jobs
- Re-structure the economy to reduce reliance on poverty-pay jobs
- Narrow the skills gap

Reduce barriers to employment

- Reduce in-work poverty
- Raise the earnings disregard
- Provide adequate resources to Jobcentre Plus
- Expect more of employers
- Finance high quality childcare

Ensure that welfare reform reduces poverty

- Simplify the system and move away from means-testing
- Safeguard universal child benefit
- Review policies that increase conditionality
- Safeguard disability benefits that meet extra costs
- Improve welfare to work programmes
- Stop stigmatising benefit claimants

2. Mend the safety net

- Pay benefits and tax credits at an adequate level
- Encourage take-up of benefits
- Use the social fund to plug gaps

3. Fair public services for those who need them the most

- Ensure public services meet the needs of low income families
- Ensure services actively reduce inequalities
- Reduce the education gap
- Improve housing

Childcare

- Move towards delivery of child-centred, quality childcare for all families
- Provide affordable high quality childcare for working families
- Safeguard and develop Sure Start

Education

- Ensure families have adequate incomes
- Reduce school costs and implement charging policies
- Extend free school meals

- Monitor impact and value for money of the pupil premium
- Assess impact of school reforms

Affordable housing

- Build affordable homes for low income families
- Ensure housing benefit protects families from homelessness
- Monitor impact of housing benefit cuts

4. Tackle inequality

- End poverty premiums for services
- Shift to a progressive tax system
- Collect unpaid taxes and tackle tax evasion and fraud
- Place 'Fairness Test' at the heart of all decisions

Conclusion

Tackling child poverty is not a choice; it is a moral imperative and an economic necessity. Poverty is totally unacceptable in a society that, despite its current economic problems, remains the fifth largest economy in the developed world.

The Spending Review provides an opportunity to take forward a commitment to a fairer and more equal society, where children do not grow up living in poverty and where the economy and society are strengthened as a result.

The decisions outlined in the Spending Review must establish a trajectory that will help the Government meet its target of eradicating child poverty by 2020.

Introduction

CPAG is the leading charity campaigning for the abolition of child poverty in the UK and for a better deal for low-income families and children. In the 1980s and 1990s, child poverty in Britain more than doubled. There are almost four million children living in poverty in the UK,¹ which has one of the worst records of child poverty across wealthy nations and performs poorly on league tables on child wellbeing.²

The Government is committed both to restoring economic stability and ending child poverty. The two go hand in hand. Any policies that increase child poverty or deepen poverty for those already beneath the poverty line will undermine long-term economic progress and stability. Reducing the numbers of children in poverty cannot wait until the deficit has been reduced, or until the economy is securely rooted in sustained growth again. The net costs of failure to make immediate progress will harm the economy and public purse. The UK is the world's fifth largest economy: CPAG does not accept that significant progress towards ending child poverty cannot – or, given the costs of inaction, should not be – made during this parliament.

As overall government spending is reduced, the politics of priorities takes centre stage. Getting the balance right between policies that *prevent* child poverty, policies that *reduce* child poverty, and policies that *ameliorate* its symptoms is the most cost effective way of tackling child poverty. Abandoning costly policies that actively contribute to child poverty is essential.³

Although government departments are being asked to prioritise projects that are expected to generate the largest economic returns, CPAG is concerned that the quest for short-term savings could drive a fragmented, ad hoc approach to cuts that are likely to be costly in the long term.

Policies that increase poverty will generate significant costs for both individuals and society. The Joseph Rowntree Foundation calculates that poverty costs around £25 billion a year in terms of poor health, educational inequalities, social exclusion and worklessness.⁴ The Marmot Report argues that reducing health inequalities (that are largely driven by income poverty) would secure economic benefits of between £51 and £65 billion a year in increased productivity and taxes. As research published by the British Medical Journal also points out, spending on social protection narrows costly and wasteful health inequalities.⁵

There is also ample evidence that low levels of poverty and economic inequality create socially cohesive and inclusive societies.⁶ So providing families with the financial support they need to safeguard their children's health, whether they are in or out of work, is money well spent. The Spending Review must help create an economy and society that is structurally resistant to poverty, economic inequality and socio-economic disadvantage.

Ensuring that children have the resources and investment they need today, will reduce their need for costly services in the future and increase their opportunities to access good jobs. Poor children today are the poor parents of tomorrow. Adopting a purely fiscal approach intent on short-term savings ignores the long-term costs of the cuts, and we look to the Spending Review to adopt a more strategic approach.

The Spending Review is a significant test of whether the Government is determined to ensure that sufficient progress is made by the end of the current parliament to

ensure that the 2020 target to eradicate child poverty can be reasonably met. A failure to put in place the policies needed to make the target achievable will undermine the credibility of the Government's commitment to the 2020 target. An increase in economic inequality or growth in economic exclusion will destabilise both society as a whole and the economic recovery in particular.

The Government must also recognise the central importance of moral leadership. Previous governments have too often been tempted by populist policies and public comments that stigmatise those in poverty. This is not only socially divisive and demoralising for claimants, but it damages the perceptions and attitudes of the services providers – and employers. Economic success will only be achieved by a government that can de-stigmatise those in poverty and stand-up against media assaults on families living in poverty.

The framework for the Spending Review states that '*...the Government will look closely at the effects of its decisions on different groups in society, especially the least well off*' but it is taking place in the wake of a Budget of wide-ranging cuts and an extensive programme of welfare reform that will, over time, seriously erode the income of families at the middle and lower end of the income scale and increase child poverty.

The Spending Review must include a detailed evaluation of programmes and support being both cut – and introduced – and to present robust and transparent methodologies to monitor the economic and social impact of the cuts.⁷

This submission

- Summarises the economic and political context in which the Spending Review is taking place.
- Reviews the progress made on child poverty since 1998 and outlines the legislative framework for the Government to reach the 2020 target to end child poverty.
- Summarises the Government's policy commitments on fairness and equality.
- Outlines a number of measures that the Spending Review must put in place to ensure that progress on child poverty is maintained – and increased.
- Highlights the dangers and mistakes that the Government must avoid.
- Provides clear recommendations for the Government which it hopes will be reflected in the Spending Review, and calls for:
 - detailed information to be published on the Spending Review's role in relation to the Government's obligations under the Child Poverty Act;
 - robust and transparent methodologies to be applied to assess for social and economic fairness to all revenue raising, cuts and spending options that are considered;
 - measures to be included that will facilitate ongoing monitoring of the impacts of decisions as the review is implemented;
 - decisions to be evidence-based, rather than ideological or dogmatic.

The *State of the Nation report* published in June 2010 lays down a benchmark against which this Government's policies will be assessed.⁸ The Government will be held accountable for the progress made over the next five years, and CPAG will be scrutinising the Spending Review from this perspective.

1. Current context

Child poverty: progress since 1998

'Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or at least are widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns and activities.' Peter Townsend, *Poverty in the United Kingdom, 1979*

'Our historic aim, that ours is the first generation to end child poverty for ever... It's a 20 year mission, but I believe it can be done.' Tony Blair, Prime Minister, 8 March, 1999

The previous government consulted, defined and measured poverty, and put targets in place that – relative to poverty levels in 1996/97 – it would reduce by a quarter by 2004/05, by half by 2010, and eradicate by 2020.

Progress on child poverty

Households Below Average Income

The *Households Below Average Income* (HBAI) is published annually and reflects definitions in the Child Poverty Act. The latest figures (below) show a fall in child poverty of 100,000 (before and after housing costs).

Year	Percentage in poverty (60% median)	Absolute numbers of children in poverty (AHC)	Children in poverty (BHC)	Country
1998-99	34	4.4 m	3.4 m	GB
1999-00	33	4.3 m	3.4 m	GB
2000-01	31	4.1 m	3.1 m	GB
2001-02	31	4.0 m	3.0 m	GB
2002-03	30	3.9 m	2.9 m	UK
2003-04	29	3.7 m	2.9 m	UK
2004-05	28	3.6 m	2.7 m	UK
2005-06	30	3.8 m	2.8 m	UK
2006-07	30	3.9 m	2.9 m	UK
2007-08	31	4.0m	2.9 m	UK
2008-09	30	3.9m	2.8m	UK
2020 target	< 10	-	-	UK

Source: Department for Work and Pensions, Households Below Average Incomes: An analysis of the income distribution 1994/95–2008/09

Child poverty would now need to fall by a further 1.1 million between 2009/10 and 2010/11 to meet the target to reduce child poverty by half. Child poverty would need to fall by a further 2.6 million to meet the Child Poverty Act targets.

To ensure resources are focused effectively, **a detailed analysis of the last decade is needed**. It makes little financial sense to disband programmes that are working well, and target resources on those that may have been less effective. Although the policies put in place by the previous government are too extensive and wide-ranging to analyse in this briefing, the following provides an overview of some of the positive and some of the less positive elements of its child poverty strategy.

What worked?⁹

- **Defining child poverty** and setting targets created a transparent framework to assess progress and increase accountability.
- Introducing the **national minimum wage**, tax credits and **in-work support** helped increase rewards from work.
- Targeting additional resources on families via **tax credits** and improvements to **child benefit** brought child poverty down in workless households.
- Investing in Sure Start programmes, good-quality childcare and **early years** provision, alongside the introduction of additional financial support for pregnant women and those with babies and young children, made a difference during the early years. The benefits of this support are likely to grow over time.
- **Investments in schools**, alongside the extension of entitlement to free school meals, improved educational attainment levels.

What didn't work?¹⁰

- A heavy reliance on work as the main route out of poverty was adopted, but paid work is by no means a guaranteed route out of poverty for all. Statistics show that more than half of poor children have a parent in work, and levels of **in-work poverty** are increasing.
- The focus on compelling claimants to seek work or have their benefits sanctioned under the **welfare to work agenda** rather than enhancing the responsibility of employers to generate appropriate, flexible job opportunities or adequately tackling structural barriers to employment generated an unbalanced approach to 'rights' and 'responsibilities' and undermined progress.
- The welfare to work agenda was underpinned by a childcare strategy. However, the reliance on inadequately financed **childcare provision which was dependent on low-paid jobs** to justify compelling mothers – primarily single parents – to seek work, which was itself often poorly paid, was perverse, and contributed to high levels of in-work poverty and inequality which undermined the wider child poverty strategy.¹¹
- **Welfare to work programmes** – which were increasingly contracted out to private providers – were costly to deliver and often failed to improve

employment outcomes for the most disadvantaged groups (particularly in a contracting labour market).¹²

- **Stigmatising language** utilised by both politicians and the media eroded public support for the child poverty strategy, and undermined the overall impact of resources that were targeted on improving services and reducing educational and health inequalities, and tackling barriers to employment.
- Although support for families with children increased, and this generated significant reductions in child poverty, out-of-work support for adults was kept below the poverty line, and this sapped overall household income. Furthermore, a combination of **complexity** and stigma (to which the Government contributed), alongside poor administration and poor decision-making, resulted in **low take-up of benefit and tax credits**, particularly among the most vulnerable groups, and this had an impact on child poverty levels.
- Although income transfers had a positive impact on reducing child poverty, **inequality** increased under Labour (mainly due to changes at the 'ends' of the income scale – with incomes of the richest 10 per cent increasing disproportionately faster while incomes of the poorest 5 per cent rose disproportionately slowly). Although income transfers prevented a much more pronounced increase in inequality, the National Equalities Panel argues that high levels of inequality undermined the goal of 'equality of opportunity' for children.¹³

Legislative context

The Spending Review takes place in the context of a legal framework which requires the Government to meet the targets in the Child Poverty Act and the socio-economic duty of the Equality Act. Decisions made must be consistent with the Government's commitments and legal obligations.

The Child Poverty Act

The *Child Poverty Act* places a duty on the Secretary of State to ensure that targets¹⁴ are met in the UK by 1 April 2020. CPAG looks forward to seeing how the decisions made in Spending Review ensure policies support, and do not undermine, these targets, and establish a clear framework to monitor progress at a national and local level as outlined in the Act.

The Equality Act

The Equality Act 2010 aims to provide a single legal framework with clear, streamlined law that will be more effective at tackling disadvantage and discrimination. It replaces the existing anti-discrimination laws with a single Act and requires the Government to provide protection and prohibit discrimination against certain groups in society. Public authorities are required to consider what action they can take to reduce socio-economic inequalities when they make strategic decisions about spending and services.¹⁵

The Coalition Government

Our Programme for Government

'...there are many barriers to social mobility and equal opportunities in Britain today, with too many children held back because of their social background, and too many people of all ages held back because of their gender, race, religion or sexuality. We need to... tear down these barriers to help to build a fairer society.'

'We will introduce arrangements that will protect those on low incomes from effect of public sector pay constraint and other spending constraints.'

'We will maintain the goal of ending child poverty.'

The Government placed fairness at the forefront of its agenda.¹⁶ The Government has clearly signified its commitment to eradicate child poverty by 2020, increase social mobility, and make society more 'family-friendly'. Although committed to tackling the budget deficit, the Government has promised to protect 'those most in need'.

The Coalition's programme for Government¹⁷ provides a clear framework for the policies delivered in the Spending Review. It draws together headline agendas for the current Government as follows.

Equalities

'...there are many barriers to social mobility and equal opportunities in Britain today, with too many children held back because of their social background, and too many people of all ages held back because of their gender, race, religion or sexuality. We need to... tear down these barriers to help to build a fairer society.'

Families and children

'The Government believes that strong and stable families of all kinds are the bedrock of a strong and stable society. That is why we need to make our society more family friendly and to take action to protect children from excessive commercialisation and premature sexualisation.'

Jobs and welfare

'The Government believes that we need to encourage responsibility and fairness in the welfare system. That means providing help to those who cannot work, but sanctions for those who turn down reasonable offers of work or training.'

NHS

'The Government believes that the NHS is an important expression of our national values. We are committed to an NHS that is free at the point of use and available for everyone based on need not the ability to pay...(we will) drive up standards...deliver better value for money and create a healthier nation.'

Public Health

'We need an ambitious strategy to prevent ill health which harnesses innovative techniques to help people take responsibility for their own

health...We will investigate ways of improving access to preventative healthcare for those in disadvantaged areas to help tackle health inequalities.'

Childcare

We will 'Support the provision of free nursery care for pre-school children and we want that support provided by diverse providers.'

Schools

'The Government believes that we need to reform our school system to tackle educational inequality, which has widened in recent years, and to give greater powers to parents and pupils to choose a good school.'

Social care and disability

'The Government believes that people needing care deserve to be treated with dignity and respect. We understand the urgency of reforming the system of social care to provide much more control to individuals and their carers, and to ease the cost burden their families face.'

Taxation

'The Government believes that the tax system needs to be reformed to make it more competitive, simpler, greener and fairer. We need to ensure that the tax framework better reflects the values of this Government.'

Housing

'Social housing tenants can expect a shared ownership scheme to help them part own their homes. In theory, recapitalising social housing tenants could be done well, so long as lessons are learned from the past.'

The new Government – child poverty

'This cruel and wasteful cycle of poverty shames a nation as wealthy as ours...we are angry about it because poverty at this time in this country is simply inexcusable. We know how to fight poverty, we know what needs to be done, and we're angry about a Labour Party that rests on its historical laurels as the voice of the poor and downtrodden while all the time the poor have got poorer and inequality has gone up.'

David Cameron, 2008, The Daily Telegraph¹⁸

'The progressive thing to do, the responsible thing to do is to get a grip on the debt but in a way that brings the country together instead of driving it apart... It means showing that we're all in this together which is why we'll freeze public sector pay for all but the one million lowest paid public sector workers...for one year to help protect jobs...And it means showing that the rich will pay their share...Who made inequality greater? No, not the wicked Tories... you, Labour: you're the

ones that did this to our society. So don't you dare lecture us about poverty. You have failed and it falls to us, the modern Conservative Party to fight for the poorest who you have let down.'
David Cameron speech to the party conference, 8 October 2009¹⁹

'Fairness means everyone having the chance to do well, irrespective of their beginnings. Fairness means that no one is held back by the circumstances of their birth. Fairness demands that what counts is not the school you went to or the jobs your parents did, but your ability and your ambition...Poverty in the sense of current income levels can be tackled through the transfer of cash. And of course reducing poverty, at any particular point in time is hugely important in building a fairer nation.'

Nick Clegg, Deputy Prime Minister, speech on social mobility, 18 August 2010²⁰

The Prime Minister and his government have condemned child poverty and inequality and, in addition to making a clear commitment to the target to end child poverty by 2020, have put in place a number of reviews designed to tackle child poverty, reduce inequalities and promote social mobility and social cohesion. These are summarised below.

- **The Child Poverty Unit** is preparing for the publication of the first child poverty strategy by March 2011, as required by the Child Poverty Act. The Spending Review must ensure it takes into account the likely resources needed to support the future child poverty strategy. The Child Poverty Unit should be closely involved in the Spending Review process.
- **The independent review of child poverty and life chances being conducted by Frank Field MP** may also contain recommendations with funding implications.
- **Review of Social Mobility** – in a speech hosted by Centre Forum, the Deputy Prime Minister Nick Clegg confirmed the appointment of former Labour MP Alan Milburn to undertake independent, annual reviews of progress towards a more socially mobile society and said that, despite the cuts, the Government remains committed to investing in a fairer future.
- **The Childhood and Family Taskforce** – chaired by the Prime Minister – will focus on a range of issues to strengthen families, including support for children with disabilities, parental leave and family breakdown.
- **21st Century Welfare** – a consultation paper has been published by the Department for Work and Pensions (DWP). This is considering a number of proposals, including:
 - increasing the earnings disregard and introducing a more generous and gradual taper of benefits;
 - simplifying the benefit system by subsuming most benefits into a 'Universal Work Credit' and a 'Universal Life Credit' administered by a single agency based in the DWP;
 - regulating payments, via the gradual withdrawal of benefits once the claimant has entered employment, through HMRC's PAYE scheme.

The success of these proposals is reliant on the Government providing sufficient resources to ensure that they enhance, and do not reduce, support to benefit claimants and jobseekers.

2. The Economic context

June 2010 Budget

*'It supports a strong enterprise-led recovery. It rewards work. And it protects the most vulnerable in our society... Yes it is tough; but it is also fair...everyone will be asked to contribute...Everyone will share in the rewards when we succeed... We are a progressive alliance governing in the national interest...we will provide additional support to families in poverty...Overall, everyone will pay something, but the people at the bottom of the income scale will pay proportionally less than the people at the top.'*²¹

The Spending Review takes place in the wake of a Budget which outlined cuts aimed at reducing the deficit by half by 2015. These may prove to be the deepest and most wide-ranging cuts adopted by any Government since the 1920s.²² They greatly exceed what the previous government (and many economists) believe to be necessary, and are much more diverse than those put in place by last Conservative Government in the 1990s.

The cuts are being presented as unavoidable, but clear choices have been made about the balance and the speed at which they are being implemented. The Government argues that the 80/20 combination (with around 77 per cent of the total consolidation to be achieved through spending reductions and 23 per cent through tax increases) is unavoidable, but the Institute for Fiscal Studies points out that in previous recessions, Conservative Chancellors (Clarke and Lamont) opted for a 50/50 divide, and this would seem a more appropriate, equitable and balanced way to tackle the deficit.

Other choices being made are also causing concern. For example, research published by the British Medical Journal questions the economic sense of cutting support to welfare (which is a source of prevention and protection of the health of the nation) while safeguarding health services (that deal with consequences of ill health). The researchers point out that 'Leading economists have widely divergent views about whether the cuts will aid or hinder economic recovery but have paid scant attention to the potential effects of reductions in health and social expenditure on population health.' They conclude that '*Governments may feel they are protecting health by safeguarding healthcare budgets (but) argue that social welfare spending is as important, if not more so, for population health.*'²³

And while the Chancellor argued in his Budget speech that the Government's approach 'is supported by the international evidence, compiled by the Organisation for Economic Cooperation and Development (OECD), the International Monetary Fund and others', the OECD has now revised its views on the extent of the cuts and is urging 'rich-country members (to) consider postponing retrenchment if the recent weakness in activity persisted'. However, the Treasury has said 'it would press ahead with cuts in public spending and rejected claims that the plans could force the economy back into recession.'²⁴

In his Budget statement the Chancellor also claimed that the cuts would leave 'the richest paying more and the vulnerable protected'. But research from a range of highly respected and reputable sources – including the Institute for Fiscal Studies

(IFS), the TUC, Shelter and others – paint a bleak and inequitable picture. An analysis undertaken by the IFS concludes that the reforms announced in the Budget ‘disproportionately affect those groups that are most reliant on benefits, namely the single unemployed, lone parents and zero-earner couples. By contrast, households with little or no benefit entitlement and those with multiple workers are unaffected by the welfare cuts ... but benefit disproportionately from the increase in the income tax personal allowance.’²⁵

It is hardly surprising that the cuts, which focus primarily on reducing welfare spending and public services, will have the greatest impact on the poorest groups. Recent research from the TUC suggests that the programme of spending cuts already put in place hits the poorest groups 10 times harder than the richest groups. Lone parents are the biggest losers and will see their incomes fall by £1,883 a year.²⁶

Research carried out by Shelter²⁷ and the TUC shows that changes to housing benefit (HB) will drive more families with children into poverty, or deeper levels of poverty, and that they will most adversely affect those who are already most vulnerable.

Wide-ranging cuts in welfare provision include reducing access to child tax credits, freezing of child benefit for three years, major changes to HB, long-term restrictions on access to disability living allowance (DLA) (all of which will effect working families, and make transitions into work more difficult, as well as those who are out of work) and significant cuts in the number of claimants on incapacity benefit. The Budget also proposed increasing VAT to 20 per cent and changing the uprating of benefits in line with the lower rate of CPI rather than RPI. It is now clear that the cumulative impact of these cuts, at a time when prices are going up, will have the biggest impact on groups that already experience the greatest risk of poverty – including households affected by disability and large families.²⁸ DLA plays a vital role in containing high levels of child poverty in households affected by disability.²⁹ Reducing rather than increasing take-up is likely to have a profoundly damaging affect on children in households affected by disability.

Given the importance of the earliest years, it is a source of concern that the Budget has cut financial support for poor families with young children.³⁰ It seems unlikely that safeguards put in place by the Government will reach the most vulnerable families and offset cuts in other areas.

Further restrictions and reductions on entitlement to benefits and tax credits will increase complexity within the system at a time when the DWP, legal aid and independent advice agencies are experiencing severe cut backs.

Research undertaken by the BBC also shows that cuts to public services are likely to have the most devastating impact in the North of England, particularly in areas that are heavily reliant on the public sector to generate jobs (and provide valuable services), and are already suffering high rates of job losses in the wake of the recession.³¹ This will not only exacerbate an existing north/south divide, but in the absence of any signs of private sector employers receiving the bank loans needed to step into the gap, the cuts are likely to compound both inter-generational and geographical disadvantages that will be extremely costly to reduce in the long term – and may well put a very tentative economic recovery into reverse.

Simply cutting programmes put in place by the previous government without a detailed evaluation of their long-term benefits is wasteful and damaging. The current

focus on abolishing initiatives that may not be working as well as they should, rather than identifying what the problems are and improving them (eg, the Jobs for the Future Programme), is at odds with the Government's desire to increase employment rates for young people, and will not reap the best economic rewards. It is worrying that an assessment undertaken by the Department for Education of the decision to cut the Building Schools for the Future scheme has concluded that children from the most disadvantaged homes will most be affected.³² We will be looking to the Spending Review to adopt a more strategic approach, including a detailed evaluation of which programmes work well.³³

3. What should the Spending Review deliver?

Introduction

In 2009, CPAG published *Ending child poverty: a manifesto for success*. The economic crisis and the Government's desire to make swift reductions to the deficit have not changed CPAG's analysis of the nature of poverty or its impact on families. We strongly believe that the recommendations outlined in our manifesto are even more relevant today. Unless the Government tackles the following issues, the goal to end child poverty will never be achieved.

- Make work pay
- Mend the safety net
- Fair public services for those who need them the most
- Tackle inequality

1. Make work pay

Employment

'I have said that unless politicians and civil servants acted to reform our complicated and inefficient benefits system, then further talk about work being the best route out of poverty would be mere empty rhetoric'
Iain Duncan Smith MP, Secretary of State for Work and Pensions, in 21st Century Welfare, July 2010

Protect jobs

- Generate sustainable jobs
- Re-structure the economy to reduce reliance on poverty-pay jobs
- Narrow the skills gap

The Government must increase *sustainable jobs* that lift families out of poverty. For the moment, however, the evidence suggests that the lowest paid workers are being worse hit by job losses and unemployment. This will not only put family purses under stress when prices are rising, but it is likely to increase debt levels, damage health and actually *reduce* long-term opportunities to seek work. Disadvantaged areas in the North West and North East are being worst affected.

The Government must protect existing jobs and invest in job creation to stop rising unemployment. It should also focus on up-skilling the economy so it is structured in a way that it is less dependent on poverty-pay jobs, addresses inequalities and reduces child poverty.

The speed at which jobs in the public sector are being cut is a source of concern. Cuts to public sector jobs are having a disproportionate impact on low paid workers –

and in disadvantaged areas – at a time when the private sector is failing to fill the gap. The Government must ensure that appropriate support is provided during what is likely to be a long-term and complex transition.

Reduce barriers to employment

- Stop in-work poverty
- Raise the earnings disregard
- Provide adequate resources to Jobcentre Plus
- Expect more of employers
- Finance high quality childcare

More than half of children living in poverty have a parent in paid work (59 per cent), which suggests much more needs to be done to ensure that work is an effective route out of poverty. Employment can only provide a route out of poverty when it is decently paid.

Although in-work support makes a difference, and the national minimum wage has been vital in providing a minimum income for families in work, wages must be increased to reduce inequalities and prevent in-work poverty. An increase in the earnings disregard would be an important step to making work pay for those on low incomes.

Resources are needed to ensure that the support and services necessary to enable people who face significant barriers to employment to access to appropriate jobs. The spending review must recognise that adequate capacity in Jobcentre Plus is vital for it to be able to deliver support and operate as an effective service.

A combination of in-work poverty and inadequate benefits keep too many children living in poverty. Reducing welfare benefits will exaggerate this problem and policies outlined in the Budget will increase poverty and this will undermine the achievement of wider objectives to increase employment. Young people are being particularly badly affected by cuts and the contraction of the labour market. We urge the Government to review the decision to scrap funding to the Future Jobs Fund and to axe the extension of the Young Person's Guarantee. It is essential that the Work Programme meets the diverse needs of jobseekers.

Everybody who wants, and is able, to work should be supported to do so. However, problems moving into work are often the result of barriers to employment rather than unwillingness to seek jobs. Entrenched labour market disadvantages must be tackled and employers brought on board to support a flexible and non-discriminatory labour market that enables families to balance work and family life.

Despite an array of anti-discriminatory legislation, employment programmes and pilot schemes, individuals who face the highest risk of poverty continue to experience multiple barriers to employment. Those affected by disability or ill-health, those with significant caring responsibilities and those with poor experiences of the education system are particularly disadvantaged in the workplace. In 2006, *Monitoring Poverty and Social Exclusion* provided a depressing overview of the disadvantages disabled people face in the labour market in the UK and demonstrates the scale of the policy challenges faced.³⁴

Discrimination in the labour market remains a problem. People from ethnic minorities, women and disabled people face huge barriers to employment as a result of discrimination. Ethnic minority groups experience a pay penalty and are discriminated against when applying for a job.³⁵ Pakistani and Bangladeshi fathers are much more likely to have low earnings³⁶ and the discrimination and inequality against women impacts children and the resources they have: 20 per cent of white women, 38 per cent of black women and 68 per cent of Pakistani and Bangladeshi women live in poverty.³⁷

In-work benefits make a huge difference to those in poorly paid jobs. Working tax credit (WTC) increased the real wages of those on low-incomes, but it is also an acknowledgment of the problem of low wages. The national minimum wage has been vital in providing a minimum income for families in work. However, the wage floor must be increased to reduce inequalities and prevent in-work poverty. Although WTC provides valuable support to low paid workers, the Government should ensure employers pay better wages to reduce low-paid workers' reliance on a complicated system of support, and reduce the need for the state to subsidise low wages. This is particularly important since the economic crisis has reduced pay and hours for those in work. New research from the TUC notes more than a fifth of all employees in Britain 'fall below the low pay threshold' and this is 'one of the highest rates in Europe.'³⁸ Job losses are greatly reducing the availability of appropriate jobs for those seeking employment. An increase in the earnings disregard would be an important step to making work pay for those on low incomes.

Ensure that welfare reform reduces poverty

- Simplify the system and move away from means-testing
- Recognise that disability benefits are needed to meet extra costs
- Safeguard universal child benefit
- Review policies that increase conditionality
- Review contracted out welfare to work programmes
- Stop stigmatising benefit claimants
- Ensure welfare reform supports families

A simplification of the benefit system would be welcome as complexity results in errors and low take-up. Both claimant and official error due to complexity are high, meaning those entitled may find it difficult to realise their rights. However, the integration of existing benefits into one universal benefit needs to be handled carefully. Any new system must retain the ability to deal with the diverse circumstances of peoples' lives. If reform is driven solely with a view to save money it is unlikely to result in a system that meets complex needs.

There is little coherence in the current debate which, on the one hand, is focusing on the need for simplification of the tax credit and benefit systems while restricting entitlement and increasing means-testing elsewhere in the system. The introduction of greater means-testing and restricting entitlement to benefits and tax credits is likely to reduce take up (and increase child poverty), increase administrative costs and will make the task of simplifying the system much harder – and costlier – to achieve.

CPAG is concerned that the Government's plan to reduce access to disability benefits is damaging and counter-productive. Restricting entitlement to disability benefits will have a profoundly negative impact on a group that faces a disproportionately high risk of poverty.³⁹ Policies focused on reducing access to incapacity benefits are also worrying. The vast majority of sick and disabled people – many of whom have mental health problems – are already failing the new Work Capability Assessment, and are being moved onto jobseeker's allowance (JSA). This will not only increase poverty, but the stringent work-related requirements associated with JSA may well damage underlying health conditions, increase their need for employment and support allowance in the long term and render work much less likely.

We strongly advocate the retention of universal child benefit as it stands. Universal child benefit reaches more poor families than any means-tested forms of support. It recognises the importance of children, supports families in and out of work and in times of family transition. Reducing the age of entitlement to 16 will result in a significant drop in income for disadvantaged young people most of whom already receive lower levels of support from benefits and tax credits, are paid a lower national minimum wage, and are not entitled to WTC. Sapping support for vulnerable young people at the same time that conditionality is being increased, may result in the most vulnerable groups having their benefits sanctioned or removed altogether and will greatly compound earlier disadvantages and do little to enhance their life chances.

Reducing family incomes while financing costly welfare to work programmes is also a source of concern. If the additional resources are spent on providing the support needed to access work, and ensuring that appropriate jobs are available, that is one thing. However, there are concerns that policies may focus more on punishments rather than delivering often costly support. Furthermore, until key structural barriers to employment are resolved, there is a limit to what employment programmes can achieve. Meanwhile, extensive evaluations of contracted-out welfare to work programmes in the UK and elsewhere suggest that they are often costly, ineffective, and actively damage the most vulnerable groups.⁴⁰ International evidence also suggests that contracted out employment services are unlikely to achieve hoped-for outcomes (in terms of increasing employment, reducing number of benefit claimants, reducing poverty and improving skills), and that the imposition of benefit sanctions are likely to be imposed on the most disadvantaged groups, and have a damaging impact on the health and wellbeing of children in the most vulnerable families.

Most recently, the Public Accounts Committee enquiry into delivery of contracted out Pathways to Work Programme included the following statements:

'We are concerned that Pathways was introduced without effective piloting and rigorous evaluation of its likely impact;

- Contractors have universally failed by considerable margins to meet their contractual targets for helping claimants who are required to go through Pathways. They have performed worse than Jobcentre Plus areas, although recent improvements have narrowed the difference.*
- Despite being paid £100 million in 2008-09, providers claim not to have made a profit from their contracts.*
- The Department should consider the evidence of our enquiries thoroughly before embarking on its new Work Programme. It*

should ensure good value for money by making good use of Jobcentre Plus resources and maintaining a sustainable balance between public, private and voluntary providers to allow proper competition and a good basis for comparing performance.'

We urge the Government to take note of the Committee's recommendations.

Unless lessons are learnt from such programmes, the Government will end up diverting significant sums of taxpayers' money into programmes that are not achieving hoped-for results in terms of increased employment. The Government risks implementing policies that further sap income in the most vulnerable households (who are most likely to have their benefits sanctioned).

Research does show that welfare to work programmes work well for jobseekers when high quality, personalised support is put in place. Those seeking employment should receive every support possible to help them access good jobs. However, while many counted as 'inactive' do wish to work, policies that focus on imposing sanctions rather than support are clearly ineffective and risk driving families into temporary, low paid, erratic jobs which actively damage both parents and children.

CPAG will be looking to the Government to show how programmes have been evaluated to ensure lessons are learnt and reflected in the wider welfare reform agenda – and in delivery of the Work Programme.

Although CPAG is concerned about some aspects of the 21st Century Welfare proposals, we strongly support those elements of the consultation that challenge damaging assumptions about benefit claimants attitudes to employment, and seek to enhance the rewards from paid work. We look to the Spending Review to provide the resources needed to implement these elements of the proposals.

We will, however, strongly oppose the introduction of greater conditionality and the imposition of benefit sanctions which are most likely to be incurred by the most vulnerable claimants whom the Government claims to be protecting. CPAG expects to see clear impact assessments of any cuts to existing benefits to fund welfare reform.

CPAG believes that the frequent stigmatisation of benefit claimants by both politicians and the media is profoundly damaging. Such an approach may inculcate support for cuts to welfare in the short term, but it is seriously at odds with the Government's wider political agenda which is focused on enhancing aspirations, improving life chances, and increasing employment opportunities. The Government must recognise that the majority of benefit claimants are from groups that are protected by anti-discrimination legislation. The stigmatisation of benefit claimants is also having a negative impact on the attitudes of service providers (including teachers, social workers and health practitioners) and is unlikely to persuade employers – who can take their pick from an ever increasing group of people desperate for jobs – to give them a job.

CPAG has long argued that the wider welfare to work agenda is undermining the importance of the parental role, generating anxiety for parents who are compelled to access poorly paid, stressful jobs, and for children moving in and out of, what is all too often inadequate, childcare provision. This will damage the Government's desire to enhance stability and create a family friendly society.

2. Mend the safety net

Benefits and tax credits

- Move away from the means-testing
- Encourage take-up of benefits
- Use the social fund to plug gaps

The Government must ensure there is a safety net to protect children in families who are unable to work, or who cannot access appropriate employment, or for whom wages fail to provide an adequate income.

Families should not be forced to live below the poverty line as a result of benefits being paid at such a low rate. Much more effort is needed to meet an acceptable level of adequacy.

The current level at which benefits for working age adults are paid are already below the poverty line and cuts to benefit entitlement, alongside changes in the uprating of benefits and tax credits from RPI to CPI, will make a bad situation worse. Citizens Advice calculates that around £17.5 billion of benefits and tax credits remain unclaimed, and this contributes to high levels of poverty in the UK. Much more effort is also needed to encourage take-up of benefits and tax credits to which people are entitled.

The costs of some necessities have risen and, given the need to respond to climate change, are likely to continue to rise – fuel and heating costs have risen disproportionately in recent years and any increase in VAT will fall most heavily on those on the lowest incomes.

The Government must recognise that a complex system prevents people from accessing the resources they need and the state support to which they have a right. One in five families entitled to child tax credit do not receive it and even amongst the poorest in-work families one in ten do not take up this vital financial support. This is done most effectively were benefits are universal for all families. Ensuring that families have access to independent advice and support to enable them to access their entitlement is essential.

The social fund (or equivalent) should be used to pay grants to ensure the Government adheres to its obligation to provide protection to vulnerable groups who are being worst affected by the recession, rising prices, cuts to benefits and ongoing welfare reform. CPAG believes assistance must be provided in the form of grants rather than loans, since the latter simply reduces ongoing income and generating additional debt and hardship in later months as the loan is recovered.

People living on low incomes, also need access to responsibly organised credit offered at very low interest rates to reduce the use of loan sharks and ensure adequate economic resources for a decent standard of living and to participate fully in society. However, this will be totally insufficient on its own to solve current problems of individual debt without giving such people access to additional income in the form of grants to help meet the essential costs of living and to ensure their children's wellbeing.

3. Fair public services for those who need them the most

- Provide public services for those who need them most
- Ensure services actively reduce inequalities
- Put in place a child-first childcare strategy
- End the classroom divide

Low-income families rely on public services to provide the sort of education, health and social support that better-off families take for granted. Yet it is often these families who receive a worse service. Better educated and more affluent people are better at using systems or can pay to increase access to high quality services (eg, by paying for private provision or moving to a catchment area of a better performing school).

The Government must improve quality of services and delivery, and gear it to the needs of the poorest families to reduce the education and health divide. Although a balance needs to be struck between the provision of inclusive, universal forms of support and focusing resources on more targeted interventions, the Government must get the balance right.

The Government must ensure that services reduce and do not widen the education and health divides. CPAG looks forward to seeing how the Government allocates resources for health services to ensure health inequalities are addressed. The Government also needs to recognise that the provision of universal, free at point of delivery, services reduce stigma and create diverse and inclusive environments.⁴¹

There is little evidence to demonstrate that volunteers are likely to step into the gap and deliver public services upon which low-income families rely. Research shows that even in Sweden – where high levels of taxation and a strong welfare state has inculcated a strong volunteering culture – people are reluctant to deliver core public services.⁴²

Childcare

- Move towards delivery of child-centred, quality childcare for all families
- Provide affordable high quality childcare for working families
- Safeguard and develop Sure Start

High quality childcare enables parents (particular mothers) who want to work to do so, but there are also other advantages such as improved child wellbeing and cognitive development. Childcare designed to meet employer needs can fail to meet the needs of children and excludes children whose parents are not in paid employment.

There is a clear need for more childcare that is affordable for parents in low-paid work. The quality of childcare and the low skills and pay of childcare workers are of serious concern. Targeting financial support through working tax credit (WTC) has helped, but it does not cover the high cost of childcare (particularly in London) and families who are not in work and aren't entitled to WTC do not qualify for support. This may result in some of the most disadvantaged children, who would benefit most from high-quality childcare services, being excluded.

Childcare remains expensive and patchy, and does not offer adequate services to families with additional needs – eg, for some parents with disabled children. Only one in 10 families receiving WTC receives childcare support, compared to nearly full take-up of the universal offer of a pre-school place for three- and four-year-olds. The welfare to work agenda and mixed market provision is generating confusion about the different forms of support. Research from the Daycare Trust shows that nearly a quarter of parents whose children receive free entitlement to childcare are being asked to pay ‘top-up fees’.⁴³ Nevertheless, the free early years entitlement for three- and four-year-olds is high because parents view it as educational provision rather than simply childcare that aims to get parents into work. Childcare must centre on the needs of children, providing quality care to all children, irrespective of their parents’ work status.

The childcare sector is heavily reliant on poorly paid jobs. It is a source of concern that policies that focus on work as the main route out of poverty are generating poverty-paid jobs.⁴⁴

The combination of the extended early years entitlement and access to Sure Start services is improving child development and is likely to generate long-term benefits. A report from OFSTED shows that **Sure Start children's centres are effectively targeting the most vulnerable families.**⁴⁵ It is vital that attempts to balance the books do not jeopardise the progress made.

Education – reduce education divide

*‘Schools should be engines of social mobility. They should enable children to overcome disadvantage and deprivation so they can fulfil their innate talents and take control of their own destiny.’
Michael Gove, 6 November 2009*

Incomes for education

- Ensure families have adequate incomes
- Reduce school costs and implement charging policies
- Extend free school meals
- Monitor impact and value for money of the pupil premium
- Assess impact of school reforms

To maximise the talents of all children and improve life chances, the educational system needs to be fair. Yet there are substantial differences in the educational achievements attained by children from households with different incomes. The Spending Review should invest resources into narrowing the education gap, which will have long term economic and social benefits.

There is an abundance of research to show that income poverty damages children before they are even born, and drives costly health and educational inequalities.⁴⁶ Although damage can be done (and redressed) throughout a child’s education, the early years are particularly important in establishing a child’s developmental trajectory. Yet, in addition to cuts are being made to benefits (which will sap families’ ability to finance educational opportunities), a range of educational and cultural initiatives put in place to support disadvantaged children are also being cut.⁴⁷ As are

some services for pregnant women and babies under a year old.. This will increase poverty and drive the need for more costly interventions in the future.

Children from poorer families have worse educational developmental scores from age three, which continue to increase throughout the school years. Poorer children fare less well in the school environment and their parents may not be able to exploit opportunities for educational development outside of school. It is this resource gap that prevents social mobility and CPAG hopes the Government will use the recent Milburn report on social mobility⁴⁸ as a benchmark for further progress.

There is a raft of evidence to suggest that although overall attainment levels have increased, a large and untenable attainment gap continues to blight the lives of poor children. The Government must review existing evidence to ensure that the educational policies being put in place reduce and do not widen this gap.

Despite considerable investment in schools, the fact that deep and profound structural barriers to education continue to damage educational opportunities for children from disadvantaged families suggests that while additional support for children in our schools is vital, it may not always reach the children who need it most. Although targeting additional support on schools to improve opportunities for disadvantaged pupils is important, enhancing family income is the most effective way of targeting support on poor children. Cutting benefit support to parents will increase inequalities, and will undermine the efficacy of the pupil premium when it is introduced.

The Spending Review must address educational inequalities to secure a fairer and more prosperous society. This requires a two-pronged approach which focuses on reducing high and rising school costs and ensuring that parents have the money they need to support their children's education. Research into child benefit and disability living allowance, show that mothers in particular spend additional money on their children.

Reduce school costs

Charging policies: despite clear guidance on charging policies, school costs (which often fall on the most rewarding and enriching aspects of the curriculum) continue to pose barriers to educational opportunities for low-income families.⁴⁹ (Research from the DCSF shows an average annual spending of £683.79 in primary school £1195.47 in secondary school.⁵⁰) It is essential that schools understand and abide by guidance on charging policies, and the expansion of academies and the introduction of 'free schools' must be monitored to ensure to minimise costs to families.

Free school meals: school costs can also be tackled through providing free school meals for low-income families. Despite research demonstrating the social and educational merits of ensuring that all children have access to free school meals (which also have a positive impact on parents' attitudes to public services), the Government has decided to scrap the five free school lunch pilots that were due to start in September and not to extend free school meals to poor working families in primary schools. An extension of free school meals would not only reduce the pressure on family budgets and help parents sustain employment, it would also ensure children get good quality nutrition needed for them to learn and thrive at school.

Monitor and evaluate impact of pupil premium: although any additional money for schools is welcome in the current economic climate, in a 'dog eat dog' educational

environment in which higher income families with the sharpest elbows do best, it is hardly surprising that funding for disadvantaged pupils is not always targeted effectively or appropriately on the schools that need it most, or that schools themselves can always be relied upon to target additional support on pupils who need it most. This is one of the main reasons that CPAG believes that most effective way to target support on disadvantaged pupils is to give it to mothers, who research suggests *can* be relied upon to spend it on their children.

The Institute for Fiscal Studies (IFS) suggests that, in principle, a pupil premium could narrow the achievement gap between advantaged and disadvantaged pupils 'to a modest degree' due to 'the direct effect of extra resources', 'the indirect effect of changing pupils' peer groups and which schools they attend' and 'the indirect effects of the creation of new schools in disadvantaged areas'. However, the IFS stresses that its impact 'will depend on how those resources are used by schools', and points out that schools are 'unlikely to actively recruit more disadvantaged pupils as a result of the pupil premium'.

Cutting family income will make it harder for schools to cope, and will undermine the efficacy of the pupil premium when it is introduced, and the evidence suggests that some schools may not be targeting resources effectively on the most disadvantaged children. CPAG therefore believes that increasing support directly to families is an important dimension to raising educational attainment.

Assess the impact of school reforms: while the Coalition manifesto suggested the Government would 'ensure' that new academies follow inclusive admission procedures, there is a lack of detail as to how, and there is little evidence to suggest that academies close the attainment gap or help 'poor children' – the current admission procedures exclude children from low-income backgrounds and often increase school costs. This will create barriers to social mobility.

Although the Education Secretary has cited the success of 'free schools' in Sweden, research published by the Institute of Education⁵¹ raises questions about their effectiveness in tackling educational disadvantages. It is generally the more educated who are likely to use the free schools. So far, there has not been an adequate, evidenced-based account provided as to how policies will reduce child poverty and reduce educational inequalities – this is needed. CPAG will be looking to the Government to produce robust and reliable evidence of the impact that education reforms will have on poverty. We also look forward to seeing assessments on the impact and cost of the introduction of free schools and the expansion of academies, to show due regard for the effect these policies will have on different groups.

Affordable housing

- Build affordable homes for low income families
- Ensure housing benefit protects families from homelessness
- Monitor impact of housing benefit cuts

The pressure on housing in the UK is immense and poor accommodation damages health. Living in cramped and overcrowded conditions means children do not have an adequate space to learn or play. Lack of funding for social housing, alongside wide-ranging reform of housing benefit (HB), is likely to make a bad situation much worse.

The rate of reduction to HB as parents earn, means employment is undermined and the 'poverty trap' families find themselves in worsens. New homes need to meet the needs of families with children and adequate financial support, particularly at a difficult economic time, is essential to reduce child poverty. The changes to HB, aimed at saving £1.8 billion a year, are of particular concern.

Constraints on the range and size of properties as well as caps, may leave 750,000 of the most vulnerable people homeless and drive many claimants out of more expensive areas (away from better schools and jobs). The arbitrary decision to reduce HB by 10 per cent for people who have been on jobseeker's allowance for more than a year, may force families out of their homes in search of cheaper accommodation. This hardly supports the Government's desire to generate family stability and may force some into more expensive (and unsuitable) emergency accommodation. HB is a vital tool in preventing families from falling into housing need, and an essential component in the Government's stated aim to eradicate child poverty by 2020.

4. Tackle inequality

- End poverty premiums for services
- Shift to a progressive tax system
- Collect unpaid taxes and tackle tax evasion and fraud
- Place 'Fairness Test' at the heart of all decisions

In the UK, people need financial resources to access the opportunities on offer within the education system (due to high costs) and the wider community, and this gap contributes to a divided labour market.

Families in poverty continue to pay a premium for key necessities (including food, housing, water supply, telecommunications, public transport, financial services and energy). The very poorest families also pay a higher proportion of their incomes in tax because indirect taxes are regressive and undermine progressive elements of tax policy. CPAG is concerned that the failure to focus on a more progressive tax system to reduce the deficit is driving an unfair and unbalanced programme of cuts. There must be a rebalance of taxes to ensure those with the broadest shoulders bear more of the weight. The costly proposal to increase personal tax allowances is not sufficiently pro-poor, and wealthier families are likely to be the main beneficiaries. The Government must provide a clear evaluation of the relative advantages of this reform.

Furthermore, the failure to tackle problems around uncollected taxes, tax fraud and tax evasion, is proving to be extremely costly. The Revenue reports that: 'Fraud, administrative error, non-payment and artificial avoidance schemes are costing HMRC an estimated £40 billion a year'.⁵² According to Richard Murphy of Tax Research UK, the tax evasion bill is around £70 billion, while others claim that over £130 billion is uncollected, evaded and avoided'.⁵³ The imbalance between welfare cuts and progressive taxation is unfair and uneconomic. Meanwhile, significant cuts to HMRC staffing are likely to make a bad situation significantly worse.

The Prime Minister argues that the Government's policies will create a 'Big Society'.⁵⁴ But a Big Society is a society that shares the profits of prosperity during the good times (reducing inequality) and supports people during the difficult times.

The National Equality Panel report posed the fundamental question: 'Whether the costs of recovery will be borne by those who gained least in the period before the crisis, or by those who gained most and are in the strongest position to bear them.'⁵⁵ For the moment, it looks as though the costs will be borne by those who gained least in the period before the crisis.

CPAG is therefore calling on the Government to put a Fairness Test at the heart of all decisions – to ensure that tax rises and spending cuts do not increase already high levels of inequality of income and wealth. There is no justification for imposing cuts that, in the words of Theresa May, '*could widen inequality in Britain and runs a "real risk" that people from ethnic minorities, the disabled and the old, are "disproportionately affected", which may breach equality laws and generate a "risk of a successful legal challenge"*'.⁵⁶ With the dismantling of public service agreements it is concerning that there is no clear indication of what frameworks will replace them. The Government must carry out Equality Impact Assessments to ensure any decisions do not have a disproportionate impact on groups who are already disadvantaged, or who rely more heavily on government support.

High levels of inequality ensure that the richest and most powerful groups in the country to keep a stranglehold on educational and labour market opportunities. Social mobility and low levels of inequality go hand in hand.⁵⁷

CPAG will be assessing the Spending Review to see whether the measures outlined will tackle inequalities and improve social mobility.

Conclusion

Poverty is not just the absence of income or even the material deprivation that accompanies it. It is both of these and everything else that follows from them: the hassle, the stress, the hard work, the budgeting, the conflict, the shame, the degraded environment; the isolation; the helplessness; the ill health; the misfortune – and much else that, taken together, is both a reasoned and involuntary response to hardship and which may, quite often, serve to exacerbate it.'
Mark Tomlinson and Professor Robert Walker⁵⁸

Tackling child poverty is not a choice, it is a moral imperative and an economic necessity. Poverty is totally unacceptable in a society that, despite its current economic problems, remains the fifth largest economy in the developed world. The Spending Review provides an opportunity to take forward a commitment to a fairer and more equal society, where children do not grow up living in poverty and where society is economically and social better off as a result.

Decisions made in the Spending Review will have a dramatic impact on the lives of children in the here and now, and throughout their lives. The decisions outlined in the Spending Review must establish a trajectory that will make the target of eradicating child poverty by 2020 achievable. This requires the Government to prioritise resources to allow for a well-balanced system of support. The Government must protect citizens that are vulnerable; invest in people (to *prevent* poverty), and public services (to help mitigate consequences of poverty); and protect workers from losing jobs. This is money well spent, and will draw social and economic dividends over the next five years.

The Prime Minister argues that his Government's policies constitute 'a big advance for people power'⁵⁹ and the Government must show that the policies put in place actively empower poorer families.

CPAG will be holding the Government to account on its commitment to using a framework that centres on 'fairness'. The Government must ensure it is not those on lower incomes, those who have a right to support from public services and financial support, who take the hit of cuts made to spending. We will expect the Government to publish clear details of how it will meet its obligations under the Child Poverty Act and the impact any policy decisions will have on child poverty.

The Spending Review provides an opportunity to make investments to address areas that have failed or are not working. This includes the failure of the welfare system to provide quality support and services to those who need it and inequalities in the labour market, income, wealth, health and education. This will reap the most social and economic gains for the future.

Appendix 1

The Impact of the Budget on different groups.

- Although the Chancellor argues that the June 2010 Budget leaves ‘the richest paying more and the vulnerable protected’ the cumulative impact of cuts to benefits, tax credits, and public services (upon which poorer groups are disproportionately reliant for support and job opportunities) are likely to have the biggest impact on the poorest groups over time. While analysts calculate that the poorest groups (who derived little from the economic boom and cannot be accused of triggering the recession) will see a drop of around 17 per cent of already inadequate incomes over the next year,⁶⁰ richer groups (and a reckless financial sector) who contributed to the economic crisis have in large part emerged virtually unscathed. The Institute for Fiscal Studies argues that in previous recessions, Conservative Chancellors (Clarke and Lamont) opted for a 50/50 divide, and this would seem a more appropriate, equitable and balanced way to tackle the deficit. Although welfare spending was targeted for around £10bn (in today’s prices) of the cuts by 2014/15, public services are set to bear the brunt of the remainder.⁶¹
- A report published by the House of Commons library⁶² revealed that the cuts in the budget would have a 70/30 disproportionate impact on women. So of the £8bn net revenue to be raised by financial year 2014-15, nearly £6bn will be from women. It is hardly surprising that the cumulative impact of cuts that target financial support for mothers and children is having a disproportionate impact on women and children.⁶³ The freezing of child benefit will become increasingly problematic over time, as will restrictions on child tax credit. Meanwhile, the abolition of the health in pregnancy grant and the ‘baby’ tax credit, the failure to introduce the toddler tax credit for two- and three-year-olds and to confine the Sure Start maternity grant to first children, all sap valuable support for mothers at a vital time in a child’s development. From October 2011, lone parents whose youngest child is five will be compelled to seek work or have their benefits sanctioned. This is wholly at odds with the Government’s desire to enhance parental choice and establish a ‘family friendly’ society.
- IFS research, *The Distributional effect of tax and benefit reforms to be introduced between June 2010 and April 2014: a revised assessment*. Although the Chancellor announced the Budget to be ‘progressive’, once further consideration of changes to benefits is taken and the longer term included, this is not the case. The distributional analysis of the June 2010 Budget did not include some of the effects of cuts to housing benefit, DLA and tax credits that are likely to affect the poorer half of the income distribution more than the richer half. When the impact of changes to DLA, housing benefit and tax credits are included, the analysis shows that the Budget will mean low-income households of working age to lose the most from the June 2010 Budget, because of cuts to welfare spending. Therefore the Budget is not progressive, but regressive. Those who lose out least are households of working age without children in the upper half of the income distribution. This is because they do not lose out from cuts to welfare spending and are the biggest beneficiaries from the increase in the income tax personal allowance. The majority of those on benefits are impacted by increases to mortgage

interest payments and council tax, excluded in the new CPI measure. *'The measures announced in the June 2010 Budget are regressive as they hit the poorest more than the seventh, eighth and ninth decile groups in cash, let alone percentage terms'*. (IFS, 2010, p10). The Budget disproportionately affects those groups that are most reliant on benefits, which includes single unemployed, lone parents, and zero-earner couples. Households with little or no entitlement to benefits with multiple workers are unaffected by the cuts to welfare. Pre-announced measures have little differential impact by family type. Measures in the June 2010 Budget are regressive within families with children. Those least affected are those of working age without children.

About CPAG

CPAG is the leading charity campaigning for the abolition of poverty among children and young people in the UK and for the improvement of the lives of low-income families. CPAG aims to: raise awareness of the causes, extent, nature and impact of poverty and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement. CPAG is a founder member of the campaign to End Child Poverty.

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Notes

1 Department for Work and Pensions, *Households Below Average Incomes: An analysis of the income distribution 1994-95 – 2008-09*, National Statistics, 2010

2 CPAG, *Child wellbeing and child poverty: Where the UK stands in the European table*, Spring 2009 – available at www.cpag.org.uk/info/ChildWellbeingandChildPoverty.pdf. This draws on the results of a new league table of child wellbeing in European countries produced by researchers from the University of York. It includes 43 separate indicators, summarised in seven domains of wellbeing. The UK came 24th, well below countries of similar affluent

3 A raft of research and evaluations of contracted out welfare to work programmes have been produced, many of which can be downloaded from www.dwp.gov.uk/publications/policy%2Dpublications/#welfare. Many identify problems with the programmes. For example, evaluations of the contracted out Pathways to Work Programmes suggest that there were no significant improvement in the work, earnings and self-reported health outcomes of claimants. International evidence also raises important issues. See, for example, Sharon Wright, *Contracting out employment services: lessons from Australia, Denmark, Germany and the Netherlands*, CPAG policy briefing, December 2008, which finds 'limited evidence to suggest that contracting out employment services creates efficiency gains or cost savings.'

4 D Hirsch, *Estimating the costs of child poverty*, Joseph Rowntree Foundation, 2008

5 See British Medical Journal 2010; 340:c3311

6 See, for example, R Wilkinson and K Pickett, *The Spirit Level: Why Equality is Better for Everyone*, Penguin, 2009

7 See The Centre for Social Justice, *Response to the Spending Review Framework 2010: Maximising Social Value*, Centre for Social Justice, July 2010 – available at www.centreforsocialjustice.org.uk/client/images/CSJ%20Response%20to%20Spending%20Review%20framework%202010.pdf

8 HM Government, *State of the nation report: poverty, worklessness and welfare dependency in the UK*, The Cabinet Office, July 2010. This sets out a comprehensive assessment of poverty in the UK in 2010. The Government will use it to inform policy decisions as it advances its aims of tackling poverty and improving life chances, to ensure that everyone has the best possible chance to fulfil their potential.

9 See Jane Waldfogel, 'The child poverty strategy: what worked?', *Poverty* 136, CPAG

10 See Danny Dorling 'Mind the gap: New Labour's legacy on child poverty', *Poverty* 136, CPAG

11 See E Lawlor, H Kersley, S Steed, *A Bit Rich: Calculating the real value to society of different professions*, New Economics Foundation, 2009. This research compares low paid jobs – including a childcare worker – with very highly paid individuals. It concludes that wage disparities are 'a corrosive, destabilising issue that is linked to a range of social problems. It disproportionately affects some groups – particularly women, who predominate in low paid (and unpaid) work. The least well-paid jobs are often those that are among the most socially valuable – jobs that keep our communities and families together. The market does not reward this kind of work well, and such jobs are consequently undervalued or overlooked.'

12 See footnote 3

13 See Ruth Lister, 'What should be done next?', *Poverty* 136, CPAG, in which she discusses the findings of J Hills and other, *An Anatomy of Economic Inequality in the UK: report of the National Equality Panel*, Government Equalities Office/Centre for Analysis of Social Exclusion, 2010.

14 Less than 10 per cent of children live in relatively low-income households; less than 5 per cent of children live in combined low-income and materially-deprived households; less than 5 per cent in absolute low-income households; reduce children in persistent poverty (target to be decided by 2015).

15 Protected groups are based on age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex and sexual orientation.

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- 16 HM Government, *The Coalition: Our programme for Government: Freedom, Fairness, Responsibility*, The Cabinet Office, 2010
- 17 HM Government, *The Coalition: Our programme for Government: Freedom, Fairness, Responsibility*, The Cabinet Office, 2010
- 18 See David Cameron, 'My pledge on child poverty', *The Telegraph*, 9 March 2008. – available at www.telegraph.co.uk/news/uknews/1581192/David-Cameron-My-pledge-on-child-poverty.html
- 19 The full text of David Cameron's speech – Putting Britain back on her feet – delivered on Thursday, October 8 2009 is available at www.conservatives.com/News/Speeches/2009/10/David_Cameron_Putting_Britain_back_on_her_feet.aspx
- 20 See Deputy Prime Minister Nick Clegg's speech, in which he announced he would lead government efforts to improve social mobility, and confirmed the appointment of former Labour MP Alan Milburn to undertake independent, annual reviews of progress towards a more socially mobile society – 18 August 2010 – available at www.cabinetoffice.gov.uk/newsroom/news_releases/2010/100818-socialmobility.aspx
- 21 Budget Statement by the Chancellor of the Exchequer, the Rt Hon George Osborne MP, 22 June 2010 – www.hm-treasury.gov.uk/junebudget_speech.htm
- 22 Andrew Rawnsley argues that they are comparable with those put in place by Sir Eric Geddes under a Tory-Liberal coalition to resolve the debt run up during the First World War – 'When ministers talk of lynch mobs, you know they're scared', *the Observer*, 12 September 2010
- 23 See David Stuckler, Sanjay Basu, Martin McKee, 'Budget crises, health, and social welfare programmes', *British Medical Journal*, June 2010; 340:c3311 – available at www.bmj.com/content/340/bmj.c3311.extract
- 24 See 'OECD makes U-turn over cuts as global slowdown continues', *The Guardian*, 10 September 2010
- 25 James Browne, Peter Levell, '*The distributional effect of tax and benefit reforms to be introduced between June 2010 and April 2014: a revised assessment*', IFS Briefing Note BN108, August 2010
- 26 See Polly Curtis and Patrick Wintour, 'Cuts will hit poor 10 times harder than rich – report', *The Guardian*, 11 September 2010
- 27 Background notes on research Shelter has obtained from the Cambridge Centre for Housing and Planning Research at the University of Cambridge, which shows that 54,000 children will move into income bands below the minimum income guarantee of £100 a week – <http://media.shelter.org.uk/Press-releases/54-000-children-pushed-further-below-the-poverty-line-by-cuts-to-housing-benefit-33a.aspx>
- 28 HBAI shows that over a third of all children in poverty come from a larger family (both before and after housing costs). The risk of children in larger families being in poverty is 40 per cent, contrast to a 27 per cent risk for only children (after housing costs). The risk of children in larger families being in poverty is 31 per cent, contrast to a 19 per cent risk for only children (before housing costs). HBAI also shows that nearly one million children in poverty live in a household affected by disability (adult or child) and this represents a third of all children living in poverty (both before and after housing costs).
- 29 See, for example, G Preston, *Out of Reach: benefits for disabled children*, CPAG, 2006, which reports that a well-funded independent welfare advice sector is essential to maximise income for the most disadvantaged children and to safeguard families from poverty and states 'we believe that ensuring that disabled children receive the disability benefits to which they are entitled is not a budgetary or resource issue, but very much one of rights', p5.
- 30 Not introducing the £4 supplement in child tax credit for each child aged one and two from April 2012 (a policy announced in the Labour Government's March 2010 Budget); from April 2011, the baby element will be removed from the child tax credit as will the health in pregnancy grant; and restrictions will apply to eligibility of the Sure Start maternity grant.
- 31 Research undertaken by Experian on the English Regions for the BBC, discussed during John Humphrey's interview with Nick Clegg, *The Today Programme*, Radio 4, 9 September 2010
- 32 See Polly Curtis, 'Schools cut will hit the poorest', *The Guardian*, 13 September 2010

- 33 As discussed above, The Centre for Social Justice provides some helpful evidence and analysis of programmes that both society and the economy have gained the most value from.
- 34 G Palmer, J Carr and P Kenway, *Monitoring Poverty and Social exclusion 2005*, Joseph Rowntree Foundation and New Policy Institute, 2005, p9
- 35 Department for Work and Pensions, *A test for racial discrimination in recruitment practices in the UK*, 2009
- 36 See K Hansen, H Joshi and S Dex (eds), *Children of the 21st century: The first five years*, The Policy Press, 2010
- 37 Women's Budget Group, *Women's and children's poverty: making the links*, 2005
- 38 A new report from the TUC – *Unfinished Business: The Quest for a Living Wage* – shows that 'the UK labour market is defined by a high proportion of poorly paid, insecure, low status jobs. Approximately 5.3 million people – more than a fifth of all employees in Britain – fall below the low pay threshold, which is one of the highest rates in Europe. As a result the economy suffers from significant levels of wage inequality and people having to work long hours to meet their basic needs.' See www.tuc.org.uk/economy/tuc-18491-f0.cfm.
- 39 HBAI clearly demonstrates the protective role played by disability benefits, showing that in households with both disabled children and a disabled adult, the risk of poverty rises from 30 per cent in households in receipt of disability benefits to 50 per cent in households not in receipt of disability benefits (after housing costs, and from 20 to 44 per cent before housing costs).
- 40 See footnote 3
- 41 Research on attitudes of public service providers to low income families, and vice versa.
- 42 Interview on Radio 4, 'The World Tonight', 13 September 2010
- 43 See 'Top-up fees pervade free childcare', *Children & Young People Now*, 14 September 2010
- ⁴⁴ See footnote 11
- 45 See 'Study shows Sure Start centres effective at reaching vulnerable families', *Children & Young People Now*, 7 September 2010. An OFSTED report published last year – *The impact of integrated services on children and their families in Sure Start children's centres* – shows that 'Better integrated working and a positive attitude among professionals providing a range of services in children's centres is having a life-changing impact on children, parents and the community.' (July 2009).
- 46 *Unhealthy Lives: Intergenerational Links Between Child Poverty and Poor Health in the UK*, briefing by D Hirsch and N Spencer, published by End Child Poverty with support from GMB – confirms that 'tackling child poverty will raise health levels'; K Hansen, H Joshi and S Dex (eds), *Children of the 21st century: The first five years*, The Policy Press, 2010) – documents the first five years of the children of the Millennium Cohort Study and identifies a gap between children from disadvantaged backgrounds and their better-off peers from nine months; J Waldfogel and E Washbrook, *Low income and early cognitive development in the UK: A Report for the Sutton Trust*, 1 February 2010 – shows that children growing up today in the poorest fifth of families are already nearly a year (11.1 months) behind those children from middle income families in vocabulary tests by the time they are five.
- 47 Scrapping the specialist schools capital grant; reductions to grants from the Teaching and Development Agency for workforce modernisation and training for support staff; cuts to the extended services capital funding, Partnership and Buddying pilots, the play strategy and funding for development of play spaces in local areas; and scrapping free swimming.
- 48 *Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Profession* (Chaired by Alan Milburn MP), The Cabinet Office, July 2009 – www.cabinetoffice.gov.uk/media/227102/fair-access.pdf
- 49 See G Preston, *2 Skint 4 school: Ending the classroom divide*, CPAG, 2009. This briefing identifies a range of educational costs that exclude the most disadvantaged children from educational opportunities, and identifies contradictions between the welfare to work agenda, and policies designed to enhance children's life chances and reduce educational inequalities.

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- 50 DCSF, *The Cost of Schooling 2007 report*, prepared by the British Market Research Bureau
- 51 See R Allen, 'Replicating Swedish 'free school' reforms in England', *Research in Public Policy*, summer 2010
- 52 See *Measuring Tax Gaps 2009* which follows a report from Parliament's Committee of Public Accounts, which criticised the Revenue for failing to invest in its recovery of tax debts and for a tax take £22 billion lower in 2008/09 than in the previous year. Available at www.taxation.co.uk/taxation/articles/2009/12/14/19738/tax-gap-estimated-%C2%A340bn-year.
- 53 www.taxation.co.uk/taxation/articles/2010/01/14/19831/revenue-employees-face-redundancies
- 54 See David Cameron speech, 'The Big Society', 16 July 2010, 'You can call it liberalism. You can call it empowerment. You can call it freedom. You can call it responsibility. I call it the Big Society.'... It's about saying if we want real change for the long-term, we need people to come together and work together – because we're all in this together...when people look back at this five, ten year-period from 2010, they'll say: 'they didn't just pay down the deficit, they didn't just balance the books, they didn't just get the economy moving again, they did something really exciting in their society ...Whether it is in building affordable housing, tackling youth unemployment, inviting charities to deliver public services...the people in Britain worked out the answer to the big social problems.' Available at www.number10.gov.uk/news/speeches-and-transcripts/2010/07/big-society-speech-53572.
- 55 J Hills and other, *An Anatomy of Economic Inequality in the UK: report of the National Equality Panel*, Government Equalities Office/Centre for Analysis of Social Exclusion, 2010
- 56 See 'Budget cuts could break equality laws, Theresa May warned chancellor', *The Guardian*, 3 August 2010. Theresa May's leaked letter to the Chancellor is available at www.guardian.co.uk/politics/interactive/2010/aug/03/theresa-may-letter-chancellor-cuts.
- 57 A raft of research emanating from the Joseph Rowntree Foundation, the Sutton Trust, and ongoing evaluations of the millennium cohort, shows that income poverty damages children before they are even born, and drives costly health and educational inequalities. CPAG's report *Chicken and egg* summarises research showing link between income poverty and educational inequalities. *2 Skint 4 School* shows how schools costs continue to pose barriers to education.
- 58 M Tomlinson and R Walker, *Coping with complexity: child and adult poverty*, CPAG, 2009
- 59 David Cameron speech, 'The Big Society', 16 July 2010, www.number10.gov.uk/news/speeches-and-transcripts/2010/07/big-society-speech-53572
- 60 See Randeep Ramesh, 'Housing benefit cuts will leave poorest £600 worse off: Housing benefit changes will hit unemployed people hardest, and pensioners and low-paid workers will also be affected', *The Guardian*, 23 July 2010, which reports that almost a million of the poorest people in Britain will lose on average of £12 a week next year – a drop of up to 17 per cent of their disposable income, according to a government analysis of housing benefit cuts announced in the June 2010 Budget – www.guardian.co.uk/politics/2010/jul/23/housing-benefit-cuts-hit-poorest
- 61 See *Gemma Tetlow*, 'Public finance: more done, more quickly', part of the Institute for Fiscal Studies analysis of the Budget on 23 June 2010 – available at www.ifs.org.uk/budgets/budgetjune2010/crawford.pdf
- 62 *Impact on Budget on Women?*, House of Commons, 2010
- 63 The Fawcett Society has filed papers with the High Court seeking a judicial review of the June 2010 budget: 'This is because many of the cuts are to the benefits that more women than men rely on, and the changes to the tax system will benefit far more men than women.' See www.fawcettsociety.org.uk/index.asp?PageID=1165.