Ten steps to a society free of child poverty

Child Poverty Action Group's manifesto to eradicate child poverty

CHILD POVERTY ACTION GROUP 1965–2005

CHILD POVERTY ACTION GROUP in SCOTLAND

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 extent, nature and impact of poverty; bring about positive income policy changes for families with children in poverty; and enable those eligible for benefits and tax credits to have access to their full entitlement. If you are not already supporting us, please consider making a donation or ask for details of our membership schemes and publications.

Published by Child Poverty Action Group
94 White Lion Street
London N1 9PF
020 7837 7979

CPAG in Scotland
Ladywell
94 Duke Street
Glasgow G4 OUW
0141 552 3303

A CIP record for this book is available from the British Library

ISBN 1 901698 85 8

Design by Devious Designs 0114 275 5634

Preface

The Child Poverty Action Group was born 40 years ago out of concern and outrage. Post-war welfare reform had encouraged post-war complacency as to the scale and persistence of poverty. Influenced by research which had laid bare how mistaken this complacency was, CPAG was part of a movement to puncture the misplaced contentment and to challenge public and authority alike with the scale and impact of child poverty.

Forty years on – and after a period in the 1980s and early 1990s of sharp escalation of social division – poverty unfortunately remains alive and well. We have, on latest figures, 280,000 children living in poverty in Scotland – well over one in four children. Across the United Kingdom 3.6 million children live in low-income households. That this figure actually represents a substantial improvement on the recent past should rightly shock.

In recent years, however, the terms of the debate have fundamentally changed. Poverty is no longer to be seen as something happening elsewhere, but a problem that spreads moral, social and economic corrosion throughout the UK. Where children's lives and children's chances are dimmed by their parents' inadequate income we are all the poorer for it.

Yet for the first two years of Labour's administration, it stuck to previous Conservative spending plans. Not only did the Government thus lose the opportunity to start in 1997, but took a significant backward step when it abolished the lone parent premium in income support. But in March 1999 Tony Blair made a historic speech in which he promised to commit to doing just that.

> Our historic aim will be for ours to be the first generation to end child poverty, and it will take a generation. It is a 20-year mission but I believe it can be done.[1]

CPAG in Scotland strongly welcomes the commitment and the resources that have followed. The establishment of the Scottish Parliament in 1999 reinforced the new focus on tackling child poverty. The governing Labour and Liberal Democrat coalition has also committed itself to the eradication of child poverty within a generation and a series of policies have been developed which aim to contribute to this goal. These pledges to end child poverty have made a real improvement in the lives of many of the poorest families. We are on-track to meet the first interim target to reduce child poverty by a quarter and a further target has been set to halve child poverty by 2010/11. However, though government ought to be rightly and loudly proud of the successes, without further reforms progress will be difficult, if not impossible, to sustain. There is much still to do, to embed progress already made and to push further and faster to eradicate child poverty. This manifesto proposes ten reforms needed from government in Edinburgh and London to make that eradication a reality. CPAG in Scotland's challenge to the political parties is to adopt these policies and help create a society free of child poverty.

John Dickie
Head of CPAG in Scotland

Ten steps to a society free of child poverty

- **All political parties to commit to eradicate child poverty.**
- **Poverty proof policies – make each consistent with eradicating child poverty.**
- **Uprate the combined value of child tax credit and child benefit at least in line with the fastest growing of either prices or earnings. The element of this that is child benefit ought to be maximised.**
- **Increase the adult payments within income support in line with those for children.**
- **Reform the administration of tax credits and benefits – ensure they get the right amount to the right people at the right time.**
- **Ensure all children have full access to the requirements – meals, uniforms and activities – of their education.**
- **Provide benefit entitlements to all UK residents equally, irrespective of immigration status.**
- **Work towards better jobs, not just more jobs.**
- **Introduce free at the point of delivery, good quality, universal childcare.**
- **Reduce the disproportionate burden of taxation on poorer families.**

Executive summary

Ten steps to a society free of child poverty

Recent reductions in child poverty rates are welcome, but poverty remains high by both historical and European comparison. No reduction has occurred to income inequality. Tackling child poverty must be a cornerstone of building a progressive, modern society, both decent and successful. High inequality and rates of poverty threaten not only the upbringing of children but our social and economic wellbeing and development. Here CPAG proposes ten key policy reforms, each of which would bring us much closer to eradicating child poverty.

All political parties to commit to eradicate child poverty

The importance of eradicating child poverty should not be in doubt – the evidence is strong, showing the negative impact poverty can have on childhood and on later life opportunities. The challenge must be to push harder – further and faster – in the eradication of childhood poverty. To this end CPAG calls on all political parties to commit to eradicating child poverty: the debate should be over policy and performance – not about the aim.

Poverty proof policies – make each consistent with eradicating child poverty

Poverty is a complex, multifaceted problem. So too are its solutions. Many policies have the potential to impact on child poverty – amongst others in education, housing, health and transport. CPAG calls for a poverty impact assessment to be made for every new policy, mainstreaming the issue throughout government. Policies not working with the grain of fighting poverty must be altered to ensure they do.

Uprate the combined value of child tax credit and child benefit at least in line with the fastest growing of either prices or earnings. The element of this that is child benefit ought to be maximised.

Uprating benefits and tax credits is vital to maintain their relative value. To make real progress over time the value of benefits to children ought to rise above the rate of the fastest growing of prices or earnings. Child benefit, a near universal benefit, provides a well functioning mechanism that does not suffer the administrative or technical difficulties of child tax credit: it has a vital role in tackling child poverty. The element that is child benefit ought to be maximised and provides a key way to build a national consensus towards increasing the value of benefits to children.

Increase the adult payments within income support in line with those for children

Recent focus on benefits for children has been welcome but children's benefits do not act in isolation. It is the family income that must be considered and so adult benefits cannot be ignored. The continued uprating of income support payments only with prices has restricted real value. The gains to the family are much smaller than they appear when simply looking at the benefits for children. The position of childless adults must also be considered. A failure to alleviate poverty in this group is short-sighted, at minimum ignoring the position of those women who become pregnant while on benefits – with implications for lower average birth-weight for their children and the long-term consequences this may have.

Reform the administration of tax credits and benefits – ensure they get the right amount to the right people at the right time

Tax credits have brought about much improvement and reduction of child poverty. But effective administration of these new policies is essential. Non-take up of tax credits and benefits and the often unreasonable recovery of overpaid tax credits have actually created rather than prevented hardship. Government must get the administration of tax credits right to achieve its anti-poverty targets.

Ensure all children have full access to the requirements – meals, uniforms and activities – of their education

Child-focused policy ought to aim at the point where poorer children are particularly vulnerable to many of the most direct and stigmatising effects of poverty: the school. Although school offers an effective point for policy makers to intervene to protect poorer children, too often the hidden costs of education (eg, trips, activities and meals) separate out poorer children from their peers. This highlights children's poverty and denies them the same opportunities available to the majority. Government – central and local – must intervene to make school a positive and protective environment for poorer children, reducing the impact of poverty and easing parental budgets of the poorest families.

Provide benefit entitlements to all UK residents equally, irrespective of immigration status

Too many of the children of immigrants to the UK do not receive equal treatment with those born here. This is short-sighted and wrong. The position of those with children who are seeking asylum is the most extreme, but benefit rules and conditions disadvantage other immigrant groups too. Those seeking asylum, who often have experienced the most harrowing and threatening conditions before fleeing to the UK, are met by lower benefit rates than UK nationals are entitled to, and are barred from paid work. Dealing with those denied asylum ought to be separate to that of the financial support families receive while claims are processed. Not to separate these issues is both morally wrong and counter-productive, and starts many who will end up staying off on the wrong foot. Government must address this injustice and disadvantage by equalising employment and welfare rights for immigrants with those of the majority.

Work towards better jobs, not just more jobs

Today our employment rate is at an all time high and demand for labour is strong yet half the income poor children in Britain live in households with one or more parent in paid work. Work, on its own, is no guarantee of an adequate income. Moves to increase employment must go hand in hand with sustained above earnings inflation rises to the minimum wage, reducing massive wage inequality. Policy must also focus on improving employment. Greater effort is needed to raise skills and support people into employment: work should be made fit for people, not just people fit for work.

Introduce free at the point of delivery, good quality universal childcare

Extending the availability of good quality childcare is vital for the anti-poverty strategy: good childcare not only has the potential to improve educational and developmental outcomes, protecting children from some of the impacts of poverty, but it also allows parents to enter employment or to raise their hours of paid work to increase earnings. But childcare is expensive, the costs are mostly borne by parents, and provision is both patchy and, worse, least provided in the poorest areas. The long-term solution is universal, free at the point of delivery childcare; a start is needed now.

Reduce the disproportionate burden of taxation on poorer families

The poor pay proportionately more tax than the rich. Regressive taxes include council tax and indirect consumption taxes such as Value Added Tax. This flies in the face of anti-poverty policy as well as strong popular support for a progressive tax system. Government must ensure the burden of taxation is proportional to the ability to pay.

Our aim: A society free of child poverty

Introduction

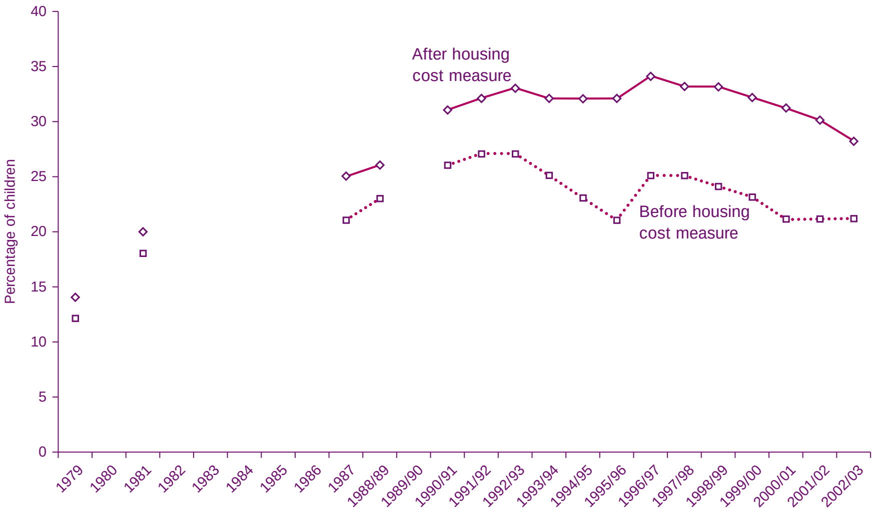
Tackling child poverty is rightly a national priority. If any child spends time in poverty, our society is the poorer for it. Sadly, the experience of growing up in poverty is far from the exception. Despite welcome commitments from government in Westminster and Holyrood, rates of child poverty in Scotland and the UK as a whole remain high by both historical[2] and by European standards[3]. That poverty continues to blight young lives makes us all – rich or poor – worse off both morally and financially. Morally because poverty makes life shorter[4] and more brutal than it ought to be and economically poorer because of the financial costs it generates for the wider society and the economy.[5] There is therefore a strong moral and self-interested case for eradicating child poverty. Tony Blair's Government accepted this when the Prime Minister promised to rid the country of child poverty, saying:

> Our historic aim will be for ours to be the first generation to end child poverty, and it will take a generation. It is a 20-year mission but I believe it can be done.[6]

Government policy has made some progress towards this ambition through a policy of increasing labour market participation and providing more generous means-tested financial support via tax credits, which are focused both at wage support (working tax credit) and tackling child poverty (through child tax credit and its child element). Since 1998/99 child income poverty (see Figure 1) has been reduced from 4.2 million children (around one in three) to 3.6 million in 2002/03 (close to one in four). Using a different, material, definition of poverty the proportion of non-working lone-parents (a group which faces both a high risk of poverty and of persistent poverty) who experienced severe material deprivation has fallen from 41 per cent in 1999 to 26 per cent in 2002. Of those lone parents who claim tax credits, it fell from 21 per cent to 6 per cent.[7] Neither the income poverty nor the material deprivation figures capture the effect of later tax credit reforms, which increased provision to the poorest families, so child poverty is likely to have fallen further.

It is very welcome that the Government has made the eradication of child poverty a key priority and has begun to take steps to tackle it, but the child poverty we face now remains at a historically high level, as Figure 1 shows.

Figure 1 Child income poverty rates 1979-2002/03[8]



On the route to the eradication of child poverty by 2020 the Government has produced a series of milestones: poverty is to have fallen by a quarter between 1998/99 and 2004/05, and by a half by 2010/11 and 'eradicated' by 2020. The Department of Work and Pensions (DWP) has since qualified what is meant by eradication which it indicates will not mean a zero rate of poverty,[9] but it has yet to define a precise end-point. CPAG believes that 'a non-zero point' should be strictly defined in relation to a frictional level of poverty, analogous to definitions of full employment with children only remaining poor during some short-term change of circumstances.[10]

Despite welcome progress on reducing child poverty, no serious attempt has been made to address the income inequality that underlies it. Poverty may be falling, but inequality is not. Though many of the poorest families have gained from the tax credits, the richest continue to enjoy a vastly disproportionate hold over societal resources. An analysis by the Institute for Fiscal Studies (IFS) suggests that in 2001 the richest quintile had five times the income of the poorest. Though this has not changed in proportion since 1996, the UK has got worse by comparison with an increasingly equal European Union (moving from sixth worst in 1996 to fourth worst in 2001).[11] The IFS analysis (which uses the gini coefficient measure of income inequality) notes that since 1998/99, the period covered by the pledge to end child poverty – inequality has 'been at its highest level since *at least* [emphasis added] 1961'.[12] Although the largest rise came in the 1980s and 1990s, income inequality has not declined since then.

Inequality is damaging because access to goods and services of those on the lowest incomes is intimately connected and affected by the spending power of the richest. Unless the gap between the incomes of the richest and poorest is reduced, we will continue to be divided by differential – income related – access to the opportunities of society. Indeed recent evidence on social mobility seems to suggest that we have *less* equality of opportunity – that there is less movement between generations – now than that experienced by children born in the

1950s.[13] While reducing child poverty is a vital objective, part of this ambition will be flawed unless strenuous efforts are made to reduce inequality. Eradicating child poverty is vital to cutting off the tail of extreme income inequality; reducing income inequality is crucial to achieving true equality of opportunity.

CPAG proposes a series of practical policy steps; each of which would take us closer to a UK free from child poverty. The objective of eradicating child poverty is morally right and economically sensible. Given the political will and the timescale to end child poverty by 2020 it is certainly affordable. The most important question is whether we can afford to wait so long.

All political parties to commit to eradicate child poverty

> [Signatories to the United Nations Convention on the Rights of the Child] recognize the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development.[14]

As the first clause of Article 27 of the United Nation's declaration on the Rights of the Child suggests, tackling income inadequacy is an international responsibility and will remain so irrespective of the political persuasion of the government in power. Since it is also a long-term objective, it is unlikely that it will be achieved under one political party's term of office.

Poverty is associated with a higher risk of a myriad of negative factors, including an increased risk of mortality (in infancy and childhood and showing through into lower life expectancy),[15] increased risk of morbidity for a series of key conditions[16] and lower educational attainment.[17] Each of these is significantly associated with an inadequate standard of living and each threatens child development.

The problems of poverty and social exclusion, built up in the 1980s and early 1990s, have made a deep, scarring impression across the UK. Time is needed to reverse this damage, to push beyond this and to end child poverty. In order to maximise child life chances the government needs to address the other deprivations intimately associated with poverty – eg, health, educational, transport and housing. Long-term, sustained intervention is required to ensure true equality of opportunity for all children. That objective ought to be the concern of all political parties.

We should push forward as fast and as far as possible, but tackling the entrenched levels of child poverty we currently experience will undoubtedly take time – well beyond the length of a single administration. Between 2005 and the target year of 2020 (by which Tony Blair has promised to eradicate child poverty) there will be a minimum of three further elections – probably more – each with the capacity to alter the direction of future policy. The national importance of the 2020 target requires that the objective of eradicating child poverty receive cross party support.

Poverty proof policies – make each consistent with eradicating child poverty

The root cause of poverty is inadequate income. The reasons why people have such low income include low wages, unemployment and inadequate benefits. Not only are the causes of inadequate income complex, but so too are the consequences – such as poorer health or educational attainment. Such problems cut across many boundaries of governmental responsibility and require joined up solutions. However, despite the central importance tackling child poverty has within both the DWP and the Treasury, its significance has not yet fully permeated throughout all agencies which have the capacity to impact on poverty levels. It is unfortunate then that the Social Exclusion Unit set up within the cross cutting Cabinet Office in 1998 has since been moved into one specific department, the Office for the Deputy Prime Minister.

Not only are some government departments failing to focus directly on the goal of tackling child poverty, but some are pursuing policies which actively *worsen* the situation for families with children. To ensure that policies actively support (or at the very least do not conflict with) the ambition to eradicate child poverty, each relevant policy ought to face a test at inception that examines whether it supports and enhances this ambition.

The Scottish Parliament's Finance Committee has analysed expenditure relating to child poverty[18] in Scotland – including both spending by the Holyrood Executive and that reserved to Westminster – to examine the extent to which it assisted the pledge to eradicate child poverty. The Committee's report raised a series of important issues. First, spending which affects child poverty extends across a wide range of government departments including health, education, social justice, transport and the environment. Secondly, although central targets are in place, the extent to which performance is measured against the goal of ending child poverty outside of the DWP and the Treasury is very limited. As the finance committee's report noted:

> We recognise that not all expenditure programmes can be expected to have an explicit child poverty focus, but we feel that in some cases, their importance was simply ignored.[19]

The Committee commented on ten areas of policy, noting that there was a limited child and child poverty focus within most of them. Where targets were particularly relevant to child poverty – such as those pertaining to reducing road accidents – they were relevant because poorer children suffer disproportionately from the problem targeted, not because of a conscious choice to target these as a child poverty issue.

The Work and Pensions Select Committee inquiry into child poverty in the UK wrote to central government departments to ask what they were doing which affected child poverty. They report responses from the Home Office, Department of Trade and Industry, Department of Health and Minister for Children, Young People and Families. The Select Committee recommended:

> A key feature of the national strategy should include poverty proofing of all department policies across Whitehall and the devolved administrations.[20]

The report highlights the difficulties of tracking pro-poor spending because it was not reported as such. Aside from a small specific number of programmes much spending was absorbed into wider budgets. This reveals a system of government and accounting that was set up along service lines and an accounting system which largely ignores concerns over child poverty. If it is not possible to accurately track the extent to which spending is pro-poor it is quite possible that much may not be. The report argues that much service spending (eg, on education) is only weakly progressive.

A separate analysis on England by Tom Sefton[21] strongly bears that analysis out, though it does show how spending has become more progressive. This research examined various service areas (on a UK basis) and assessed the relative progressivity of spending in 2001/02. This analysis estimates that poor children attracted between 1.87 to 2.21[22] times spending than non-poor children, but that this varied substantially:

- social security between 3.66 and 3.75 (though the analysis predates CTC);
- health between 1.03 to 1.43;
- education between 1.06 and 1.35.

In other words in terms of health spending, a poor child could have as little as 3 per cent more spending than a non-poor child or 6 per cent in the case of education.

Both the Sefton analysis for England and that of the Scottish Finance Committee (discussed above) demonstrate that it is very difficult to track spending. In the absence of anything more concrete, both have relied on significant assumptions to produce figures. Both the Work and Pensions Select Committee report and the Scottish Parliament Finance Committee demonstrate the difficulties of tracking precisely what has happened to money designated as part of the social justice agenda, since this has often been absorbed into wider budgets that are spent at the discretion of a wide range of administrations, departments and agencies.[23]

Policy concern over poverty and social exclusion needs to extend across government if child poverty is to be eradicated. There are welcome indications of a consensus behind such an aspiration, and that it is beginning to occur. Referring to its *Child Poverty Review*, published with the 2004 *Spending Review*, the Treasury has stated:

> The child poverty review has reinforced the importance of the contribution of a wide range of public services in tackling child poverty in a sustainable way… action is therefore required across a number of fronts if child poverty is to be reduced in a sustainable manner.[24]

Although concern over child poverty is permeating beyond the DWP and the Treasury, progress is slow. The Work and Pensions Select

Committee have recommended an audit of spending over the next spending round in each department.[25] Such an audit would highlight where spending, existing and new, is being used. A 'poverty test' would ensure that policy interventions and spending priorities support and enhance, rather than undermine, the achievement of the child poverty ambition. It is welcome that the *Child Poverty Review* has reported a review in the schools funding formulae to this end[26] but much more work is needed.

Uprate the combined value of child tax credit and child benefit at least in line with the fastest growing of either prices or earnings. The element of this that is child benefit ought to be maximised.

Despite substantial recent increases to benefits for children, the package of financial support for families remains inadequate to protect against poverty and social exclusion. This is most starkly demonstrated by the total value of benefits and tax credit entitlements – less than the official poverty line. Table 1 shows the poverty line for both couples and lone parents, each with two children, their maximum assistance entitlement (including child benefit) and the difference between the two.

Table 1 Poverty line and assistance entitlement for couple and lone parent families with two children, aged 5 and 11 (2005/06, weekly figures).

	Assistance benefits entitlement[27]	**Poverty line**[28]	**Difference between the poverty line and maximum entitlement**
Couple	£192	£272	£80
Lone parent	£160	£189	£29

Note: table revised since first printing – errors now amended and figures updated to 2005/06.

Though we have an official poverty line,[29] the method whereby it is derived is somewhat arbitrary as it relates to typical income and not to an understanding of what constitutes an adequate income. No official assessment has been undertaken of the levels of benefit income which would constitute 'adequacy'. Benefit levels derive largely from historical accident, the result of initial national assistance rates and subsequent uprating policy.[30] Evidence relating to the prevalence and impact of child poverty powerfully demonstrates benefit inadequacy – current financial support, even when fully claimed, is inadequate to protect families from poverty. Given the central importance of both child benefit and child tax credit (CTC) to anti-poverty policy, the Government should have a clearer picture of how much income is required to avoid child poverty.

Although the UK has signed the UN Convention of the Rights of the Child (which specifically refers to income adequacy)[31] the Government does not know whether benefits for children are adequate. The DWP has resisted attempts to establish an official minimum income standard despite being urged to consider this – eg, by the Work and Pensions Committee:

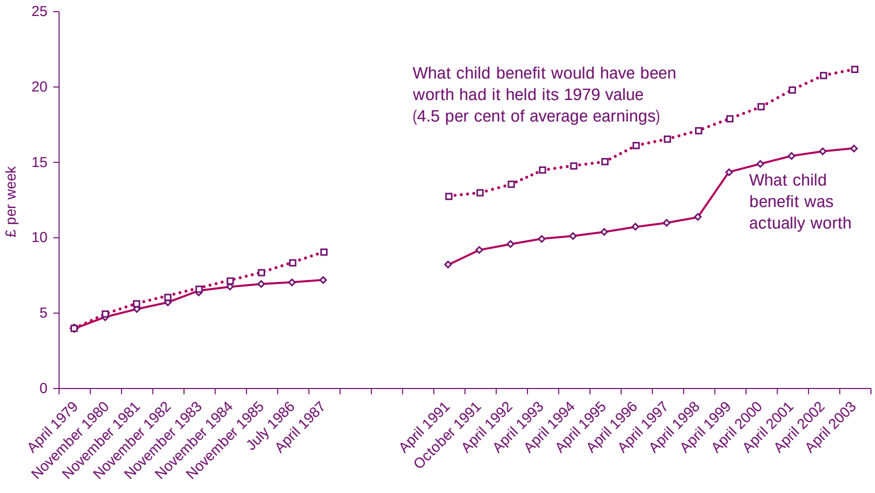
> We recommend that the Department seriously considers revising its policy on budget standards with a view to adopting them as a tool for exploring

living standards and helping to fix poverty thresholds for the future strategy on child poverty.[32]

More research and a clearer analysis are needed to establish what families need to live on, and this should be used as the basis for setting, and for reviewing benefit rates. Effective uprating policies are also needed to ensure that financial support holds its value, relative to societal living standards. To maintain the combined value of CTC and child benefit total support needs to rise with the faster growing of prices or earnings inflation. To achieve all of this CPAG proposes that an independent 'Minimum Income Standards Commission' be established to consider benefit adequacy and to recommend benefit and tax credit rates to the government. Such a commission would also recommend suitable upratings policies and regularly review benefit and tax credit rates. Such a body would be a standing commission (akin to the Low Pay Commission) and would report annually on the adequacy of benefit and tax credit income levels. Ministers would then be required either to adopt the proposed rates, or to report to Parliament as to why they had not done so.

Failure to relate the value of the incomes for the poorest families to the growth in wider societal living standards[33] has resulted in a dramatic reduction of the value of benefits. Figure 2 shows how much child benefit is worth now, compared to how much it would have been worth had it been uprated in line with the faster growing earnings index since 1979.

Figure 2 Relative value of child benefit (first child) 1979-2003[34]



Note: the rate of child benefit was frozen in cash terms, and hence lost substantial value between April 1987 and April 1991.

The failure to increase child benefit through the 1980s and 1990s – with the exception of a substantial increase in value made in 1999 – has had a significant and adverse impact. If child benefit for the first child was the same proportion of average earnings (4.5 per cent) in 2003 as it was in 1979 it would be worth about an additional £5.20 a week – £269.90 a year. The same tendency is true for income support (IS). For a couple with one child under 11 years, IS fell from 31.3 per cent of average earnings in 1988 (when it was introduced) to a low point of 27.8 per cent in 1998, subsequently rising slightly to 29.4 per cent in 2003[35] as the result of more substantial increases to the child elements paid within IS. The adult elements of IS have continued to reduce in real value.

Given this history, it is very concerning that there is no commitment, beyond the Parliament elected in 2001, for an earnings (or any other) link to the child element of CTC. Worse still, despite the understandable wish to concentrate resources on the poorest families through the child element, failure to uprate the family element of CTC in April 2004, also proposed in April 2005,[36] continues to undermine the long term future of the tax credit – both in terms of its coverage and generosity – and has provided a dangerous hostage to fortune. A future government, less disposed than the current to directing resources toward lower income families, would face no legislative barrier if it were to freeze entitlements to the child element of CTC and indeed could call on related precedent to justify a real terms cut to CTC. The current position is unsatisfactory, and the Government ought to urgently re-examine its position on the future uprating of tax credits. If social inclusion is to be maximised – and it should be – first we need a better understanding of what it costs families to obtain a decent living standard, and that the change over time in the value of financial support needs to be set in relation to the fastest growing of prices or earnings inflation.

Within the package of financial support to families with children the balance between money provided through child benefit and income directed through the means-tested CTC needs to be right. CPAG recognises that focusing maximum resource through the means-tested tax credit is driven by the desire to maximise the impact of limited resource. However, it is worth stating clearly that universal[37] child benefit retains a critical role in protecting all children from poverty.

To rely too heavily on means-tested policy may be a tactical error for a number of reasons, including the following:

- *Take up:* child benefit is a simple and popular benefit. Latest available comment from the responsible Minister put take up at 98 per cent.[38] Analysis is not yet available on take up of tax credits. Although the Government has heralded increasing tax credits caseloads as a sign of increased take up, we do not yet truly know. Previous evidence of means-tested benefits strongly suggests they come with significant problems of non-take up.[39]

- *Administrative problems:* child benefit is not subject to the same sort of administrative problems which have plagued the tax credits. Families need a consistent income despite changes in circumstances – eg, at the point of relationship breakdown. Child benefit is more likely to provide seamless support than complex, means-tested tax credits which need to be constantly reassessed – thereby generating additional paperwork and possible delays at times when families are under considerable stress.

- *Sustainability:* child benefit is well recognised and popular. It has the political ability to ‘stick’, and though it lost significant value over the 1980s and 1990s it remains a well regarded, well functioning benefit around which an effective political campaign for improvements in the living standards of children can be built. Because it goes to all families and is not income-tested it represents a societal contribution to the additional costs of children, and their benefit to society. Furthermore, income-tested tax credits presuppose that deep divisions will continue in our society. A universal benefit – like child benefit – that assumes a world free of child poverty, is the most suitable and sustainable way to eradicate child poverty.

- *Cost:* the central argument against child benefit is its cost. However, while it is certainly expensive, it is not necessarily true that tax-payers would not pay for increases. It is very possible that the pressures on government to resist additional taxation are actually greatest when benefits and tax credits are provided only to a small – and poor – group with limited political influence. Spending is politically easier to justify when a larger proportion of tax-payers benefit directly from it.
- *Poverty trap:* since child benefit goes to all, irrespective of income, there is no unemployment, or poverty trap caused by the withdrawal of the benefit as income rises – eg, from paid employment. These are serious weaknesses with tax credits and means-tested benefits which generate a limited gain from additional hours of work,[40] thereby sometimes dissuading parents from taking up work or working longer, which are both central to government objectives.

Benefits and tax credits to poorer families need to rise in real terms. The vehicles to achieve this – CTC, IS (discussed below) and child benefit – need to be made to deliver. Despite, and indeed because of, its universality there is a clear and compelling argument to maximising the role of child benefit within the balance of financial support to children and families.

Increase the adult payments within income support in line with those for children

Despite recent increases to the child elements of IS/CTC, the adult payments in IS have continued to be increased with prices inflation, and so have lost relative value against both average earnings and the child elements. The treatment and level of adult payments within IS is important for child poverty in a number of critical ways:

- It is impossible to ring-fence spending on particular family members – any consideration of child poverty has to consider the adult rates. Parents, especially mothers, tend to shield children from the full impact of poverty by cutting back on their own personal spending which clearly demonstrates the consequence of insufficient family income. The capacity of parents to protect their children is undermined by inadequate adult benefits.
- The adult scale rates in IS are larger than the child rates in CTC so the proportionate gain to the family by apparently large child gains is

much lower than it appears; increases in the child element are absorbed by slower growing family incomes.

- The health of adults with caring or financial responsibility for children is critical, but it is also important for prospective mothers both before and during pregnancy. This group, often young and so subject to particularly low benefit rates, is extremely vulnerable to income poverty which has a detrimental effect on both mother and child.

Table 2 demonstrates the value of the IS rates of the adult payments in IS in 1988, on the election of the Labour Government in 1997, and for the latest officially published data, 2003. The table reveals that a diminishing in the real value of adult benefits continued unchecked by the 1997 election of Labour. The final column demonstrates the amount by which the benefit rate in 2003 was less than it would have been had benefits held their relative value.

Table 2 Adult IS rates as a percentage of average earnings, 1988, 1997 and 2003[41]

	April 1988	**April 1997**	**April 2003**	**Weekly cash difference between actual rate (in 2003) and if worth the same as in 1988**
Aged above 25	15.3	13.4	11.5	-£18.06
Couple, both aged over 18	23.6	21.4	18.0	-£26.68

If IS had remained the same proportion of average earnings as it was when first introduced, couples would receive £26.68 more a week than they do now and single persons aged over 18 would have £18.06. IS for adults has continued to wane in relation to the living standards of society because it is uprated by the Rossi Index (this is the Retail Prices Index (RPI) without housing costs) which tends to grow more slowly than the earnings index, and which has also tended to grow more slowly than the RPI, as Figure 3 demonstrates.

Figure 3 Growth in average earnings, Retail Prices Index and Rossi Index 1998-2004 (September of each year)[42]

Note: no comparable published data exists for Average Earning in September. The closest is for the year to August in which earnings grew by 3.9 per cent.[43]

Over a longer period the pattern is quite similar. Earnings have outstripped prices inflation by some way as living standards have increased. Between May 1979 (the election of the first Thatcher Government) and May 1997 (the start of Tony Blair's first administration) earnings grew by 3.9 times, RPI by 2.9 times and the Rossi Index by 2.7 times.[44] Benefits uprated in line with prices (both Rossi and RPI) have lost relative value when compared with earnings, while Rossi has lost value in relation to both RPI and particularly to earnings.

Prices may give an indication of the cost of attaining a fixed set of goods, but they are not representative of living standards since these have risen above the rate of prices inflation as we have become richer in real terms. To achieve social inclusion, therefore, the incomes of the poorest families – and the benefits and tax credits on which many rely – need to rise in line with earnings as a truer indication of the living standard needed for participation and social inclusion.

The problem of adult benefits losing real value is not restricted to childless adults since the basis of the benefit to provide for adults living in families with children is the same. Although adults in these families receive additional child elements which have in recent times risen in value more rapidly, the effect on the total sum of combining both adult benefits (which have been falling in value as a proportion of wages) and the smaller child elements (which have been growing as a proportion of average earnings), dampens the overall family income increase considerably.

Nor does the IS uprating policy show any signs of review following the 2004 pre-budget report. Obvious by its omission, IS scale rates were not even mentioned in the Chancellor's statement of 2 December in the associated Treasury documentation (in which the 2005/06 CTC rates were confirmed). Rates were subsequently released by the DWP on 6 December. These reveal that the single adult rate will increase by 55p to £56.20, the couple rate by 85p to £88.15 (less for young adults).[45] This is fractionally less than a 1 per cent increase and as press speculation before the announcement noted, the lowest rise for more than 30 years.[46] In 2000 a 75 pence rise to the state pension (caused by RPI uprating)[47] resulted in a political firestorm and an uproar which resulted in policy reform, ongoing concern and serious political damage to the Government. Though it may be unlikely that an even lower rise to IS will cause the same level of protest, the moral case is clear; it is unacceptable to continue to allow IS to reduce in real value.

Government statistics imply a ratio of expenditure need between different members of households through equivalence scales (the Office for National Statistics uses both the modified Organisation for Economic Co-operation and Development (OECD) and McClements scales).[48] These are used to adjust income figures to account for the different spending needs of particular households, and specify, for instance, that a second adult or child of 14 years or older costs the household about half the amount the first adult in the household would. Though a rough and ready guide this gives us an indication of what government statisticians believe are the different relative 'costs' of different household members. The ratios are set out in the table, along with the value placed on the needs of different household members by the current CTC/IS scale rates. The final column uses the amount currently paid on behalf of children aged below 14 years old, and works back from that to calculate what the scale rates ought to be if they were in line with the modified OECD scale. As is demonstrated, scale rates are well out of line with the modified OECD scale, with adults valued much lower by the tax credit and benefits system. Couples do particularly badly.

Table 3 Modified OECD and implied benefit and tax credit weighting between household members (April 2004)

	Scale rate values[49]	**Implied benefit/tax credit ratio**	**Modified OECD scale**	**What would be received if in line with OECD scale?** (based on current receipt for child younger than 14)
First adult	£2,893.80	1	1	£8,276.67
Second adult	£1,645.80	0.57	0.5	£4,138.33
Child 14 or older	£2,483.00	0.86	0.5	£4,138.33
Child younger than 14	£2,483.00	0.86	0.3	£2,483.00

Notes: First adult assumes single IS payment (over 25) of £55.65. Second adult assumes couple (both over 18) rate of £87.30 less the first adult rate. Child (both ages) includes the first rate of child benefit plus the child element of CTC only. The additional family element of £545 is assumed to be distributed across family and is ignored.

The modified OECD scale implies that a second adult in a household and a child aged 14 or older will cost half as much as the first adult. This ratio is maintained roughly between first and second adult, but not for children. Although children appear 'over-valued' in the table given problems of child poverty, the emphasis on it and the conscious official efforts to increase benefits for children, this would be an inappropriate reading of the data – instead it shows how adults have lost out in the settlement.

Child poverty cannot be tackled without a broader focus on family poverty: to address family poverty and the poverty of childless adults who may, in due course, become parents, IS needs to be raised. Uprating of IS then needs to be on a par with benefits for children.

Reform the administration of tax credits and benefits – ensure they get the right amount to the right people at the right time

Tax credits are vital to reducing child poverty, both by increasing the employment rate and the amount of employment income – including working tax credit (WTC) – and by increasing government redistribution towards families with children. The first year of the operation of CTC and WTC has been marred by a series of administrative problems. While these problems were especially marked at the implementation of tax credits, many of the issues are structural and have persisted beyond the first year.[50]

Those in poverty or close to the poverty line rely on benefits and tax credits to provide accurate awards and to do so without delay. There is much evidence that all too often tax credits fail to do so, with the result that both over and underpayments have a detrimental effect on those families affected, and undermine attempts to reduce child poverty. The ultimate cause of the administrative difficulties is structural, related both to means testing and to annual assessment. Nevertheless administrative improvements could reduce problems. Indeed if they do not, the pressure for structural reform will grow.

The incidence of over and underpayments – evidence of a policy that is failing to deliver what is required – must be reduced. Given that tax credits and benefits are set at a level the Government claims is necessary for a family to live on, families who are underpaid are living on less than this official minimum and are more likely to be in (deeper) poverty than those in receipt of entitlements.

Little is known about underpayments – including both ‘full’ non-take up of entitlements and partial receipts. Both need to be monitored to establish the extent of underpayments and to provide solutions. Complete take up is required for benefits and tax credits to do the job they are intended for. In practical terms this also means that take up estimates must go beyond measuring whether or not entitled persons are in receipt of something, and towards whether the full award has been paid. Where an underpayment is discovered repayment ought to be backdated as it is with other benefits.

More is known about overpayments. These occur either when an initial assessment was wrong – and this was not picked up – or when a relevant change of income or personal circumstances was not reported. The problem with overpayments comes with the way in which they are reconciled with an annual award. An overpayment in one year, or part of it, is currently reconciled with an annual award on the basis that it is acceptable if the total amount of income balances out over one or more financial years. This assumption is dangerous since it may leave families in hardship if, for some of that period, individuals receive low amounts of income in order to recoup overpayments. The reconciliation of tax credits should not place families in poverty and to do so is clear policy failure and incompatible with ending child poverty.

Both award and adjustment notices must be simplified and improved to make it possible for recipients to see how a particular award was calculated (in terms of reported income and family circumstances). It is CPAG experience that notices are often unclear, and it is unreasonable to assume that parents are able to trace through why they have particular awards. Without this clarity it is easier for errors – both official and recipient – to occur and to remain unchecked, storing up future problems.

Administrative systems – including the provision of face-to-face advice, and well-trained staff with reasonable workloads – need to ensure that over- and underpayments are swiftly and reasonably dealt with. Clarity needs to be improved – eg, repeated, high profile campaigns advertising what changes in circumstances ought to be reported and the consequences of not doing so.

Ensure all children have full access to the requirements – meals, uniforms and activities – of their education

Education should be free at the point of delivery. Too often it is not; provision ought to depend solely on need and never on ability to pay. Where income influences school participation children will suffer and poor children will suffer most. A recent CPAG branch study, *The costs of education*,[51] examined both costs and the impact this had. Ability to pay intrudes on the school environment in many ways and often the ability to join in with trips and activities – and therefore the development and social participation this fosters – is determined by parental income. Poor children face, in Tess Ridge's phrase, particular barriers of 'fitting in' and of 'joining in'.[52] When the costs of school activities are passed on to families, parents are faced with the invidious choice of not being able to fund their children to participate or to cut back on other, perhaps very important, expenditure.

A Department for Education and Skills (DfES) survey,[53] published in 2004, quantified spending on schooling. Investigating costs associated with school this research considered a long list of potential spending, including that associated with uniforms; trips and activities; contributions to school funds; meals; and travel. Overall the researchers found that £736.22 was spent per child. Table 4 reproduces the data by income group and type of school.

Table 4 Spending on costs of school by household income in 2003[54]

	Primary school	**Secondary school**
Less than £10,000	£499.18	£940.40
£50,000 +	£587.23	£1,046.87
All	£563.15	£948.11

Although the poorest households spent somewhat less in cash terms than the richest, this is actually a *larger* share of their incomes. The poorest households are those most likely to report difficulty in meeting costs associated with schooling.[55] Children are often aware of the financial difficulties their parents face and may lower their expectations – children from poorer households are much more likely to report not passing on requests for money to their parents, than their richer peers.[56] Given the stigma incurred in reporting this – very few do[57] – this is likely to be an underestimate of the extent to which poorer children actively resist their parents spending money on them.

Spending levels are key for two reasons: first, spending may open new opportunities for children (eg, trips and activities) and so if income precludes spending, affected children will be denied the experiences open to many of their peers. Second, parents make sacrifices themselves to give the maximum opportunities to their children so spending on schooling may be at the expense of other necessary outgoings. For both reasons CPAG wants to see action, to ensure all children have equal access and to ease the burden on family budgets, which addresses the following areas:

- **School meals.** Though free school meals are available to some (linked to receipt of other benefits), they are poorly taken up. All too often the existing system openly identifies those in receipt of free school meals, resulting in stigma and low take up.
- **School clothing.** Clothing for school costs money, more for older children, and this need is focused around very specific transition points in children's development – growth spurts and changes of school.
- **Trips and activities.** Trips away from the school and activities associated with it – either in or out of the school day – are critical to wider social development. Being barred from participation or stigmatised by being identified as in receipt of some form of support will worsen the experience of childhood poverty.

For the first – school meals – a national system of entitlement operates but eligibility is restricted, take up amongst those actually entitled is low and, after all of this, meals are the highest area of parental spending on school (according to DfES research, an average of £316.20 per year).[58] Of those children entitled in 2003/04 only four out of five took up an entitlement – varying from 81.9 per cent for primary schools to 72.3 per cent for secondary schools.[59] Children are least likely to take up free school meals if it is clear to their peers that this is what they are doing, as it identifies them as poor. Still there are shocking, archaic examples of bad practice going on – eg, receipt of free school meals being made obvious through separate queues or cash-based systems obviously identifying those not paying.

A recent CPAG publication, *Recipe for change*,[60] profiled good practice in this area (eg, cashless systems using swipe cards), arguing for improved current practice on the route to universal free school meals. As take up of free school meals is low, the provision of universal free school meals would ensure full take up and protect families who are close to entitlement but unable to claim free school meals. 16.5 per cent of children were entitled to free school meals in 2002/03 in the UK,[61] a figure which falls well short of the 28 per cent of children income poor in Great Britain the same year,[62] demonstrating how restricted entitlement is.

School uniforms, where compulsory, can have a protective effect if it means that no child stands out because parents have not managed to spend as much on their clothing as their peers. This is dependent, however, on adequate clothing grants to help to prevent childhood stigma. A recent report from Citizens Advice suggested that the costs of uniforms for the start of secondary school could amount to over £200[63] and demonstrated an extremely patchy picture of local education authority (LEA) support for parents in meeting this cost. It revealed that 42 per cent (two out of five) LEAs provided no help at all with school clothing, a situation that has worsened substantially since 2001.[64] DfES research[65] placed uniform at a lower estimate, £157.30 overall (higher for secondary than primary school children). Secondary schooling brings with it higher spending than primary school, and in particular growth spurts place a burden on family incomes with the concomitant need to replace clothing and provide points at which the benefits system might intervene to ensure that children receive the clothing they need and that this does not place too high a stress on family budgets.[66]

School activities, including trips and hobbies, are a vital element of childhood learning and experience but charges often apply. Although official guidance discourages charging for activities occurring in school time,[67] schools may ask for ‘voluntary’ contributions for certain activities, and can charge for activities associated with school which fall outside the school day.[68] Charging or ‘voluntary’ contributions confront parents and children with an odious choice: preventing a child participating in an activity, or paying for them to do so out of an already stretched budget. Both work against effective anti-poverty policy.

Provision to assist lower income parents with the costs of education is patchy, and entitlement and delivery vary by school and by LEA. There are many areas where good quality provision can promote social inclusion and education. The provision of good quality school meals has, for instance, a vital part to play in supporting education as well as guaranteeing all children a healthy nutritious meal during the school day.[69] Low take up of existing entitlements increases the strain on family income. The costs of education undermine children’s learning development in the short term and opportunities for accessing employment in the long term. The only way to resolve problems that have a particularly negative impact upon children from low income families is to provide such services universally, free at the point of delivery with a test of educational need, not ability to pay.

Provide benefit entitlements to all UK residents equally, irrespective of immigration status

Benefits and tax credits must be provided on the basis of need. As need does not vary by immigration status, nor should entitlement. Managing migration is the proper preserve of the Home Office, but the mechanisms by which this is achieved ought to operate entirely independently of the benefit and tax credit system. Failure to implement such a system is not only counterproductive, but violates natural justice and constitutes a poor welcome to those who have arrived in this country and may well stay. For many, and particularly for those seeking asylum, the combination of limits on entitlement together with work restrictions (where these apply) may be driving them into avoidable poverty.

Currently immigration status affects benefit and tax credit entitlement in a number of ways for those subject to immigration control and particularly for those who have sought asylum. For those subject to immigration control, there are restrictions in access to key benefits, including child benefit, council tax benefit, housing benefit and IS. Support for families who seek asylum in the UK is complex and disparate. They are principally supported outside the social security and tax credit system, and are provided for either by Home Office provision

– through the National Asylum Support Service (NASS) – or by local authorities, through the Children Act 1989. Those seeking asylum receive a lower entitlement to financial assistance than British citizens, receiving 70 per cent of the adult payments in IS, plus full entitlement to the child elements (but since the child elements are a smaller element of the family's total entitlement, the effect – reducing total entitlement – is a marked one). Parents seeking asylum are also prohibited from working until their claim is resolved – there is no option here for work as the route out of poverty.

The treatment of children in families subject to immigration control and particularly those who are seeking asylum is in stark contrast to the considerable support directed towards children born in the UK. Those immigrant groups with a lower entitlement are numerically small, but face a high risk of poverty[70] – and yet it is a group on which no official poverty statistics[71] are produced. Families have often come to this country under very harrowing circumstances, and the way in which they are treated is not only damaging to children, but is also counter-productive in social policy terms. It provides a bad start to life in the UK for the many who will be awarded the right to stay here.

The key step to reducing the additional risk of poverty faced by children of parents subject to immigration control is to provide them with the same rights to social security and tax credits as are received by British citizens. This can only be done by dealing with this group through the established benefit and tax credit systems, provided by the Inland Revenue and the DWP. This would demonstrate that the paramount concern for children is the level of their income, not their immigration status. Furthermore, for this group to be brought in line with the population as a whole, the restriction on paid work must be removed, giving these families the same route out of poverty as the rest of the population.

Work towards better jobs, not just more jobs

Employment is critical to the official strategy on tackling child poverty.[72] The employment rate is at an all time high and demand for labour is strong, and yet half the income poor children in Britain live in households with one or more parent in work.[73] Paid work, on its own, is currently no guarantee of an adequate income. For a Government that claims that work is the best form of welfare, this is a standing reproof. Far too often jobs are low paid and inflexible, with scant regard for family friendly policies and lacking any hope of progression. These factors all undermine job sustainability. However, policy appears to be focused on increasing the employment rate further. The Prime Minister recently suggested a target of 80 per cent, with an additional 1.5 million adults in employment[74] – well above the current employment rate.

To get more people into paid work will be extremely challenging. The employment rate has risen because those who are closest to the labour market have entered work. Although some people who are currently not in paid work may well appreciate the chance to work, many people have very good reasons for not being in employment, and attempts to 'force' such people into paid work are likely to fail. Furthermore, unless jobs provide better pay and better conditions, an increase in employment is unlikely to be sustained.

Forcing people into low paid jobs will not reduce child poverty. Children are picking up the tab for employers who fail to pay their parents a living wage. Society is subsidising bad employers through the WTC. The reduction of child poverty requires not just an increase in the employment rate or the hours worked, but better remuneration. The UK experiences high wage inequality. For a substantial minority inadequate pay is also associated with insecure conditions. As Figure 4 demonstrates, low pay is a gender issue – women are concentrated in the lower earning parts of the distribution.

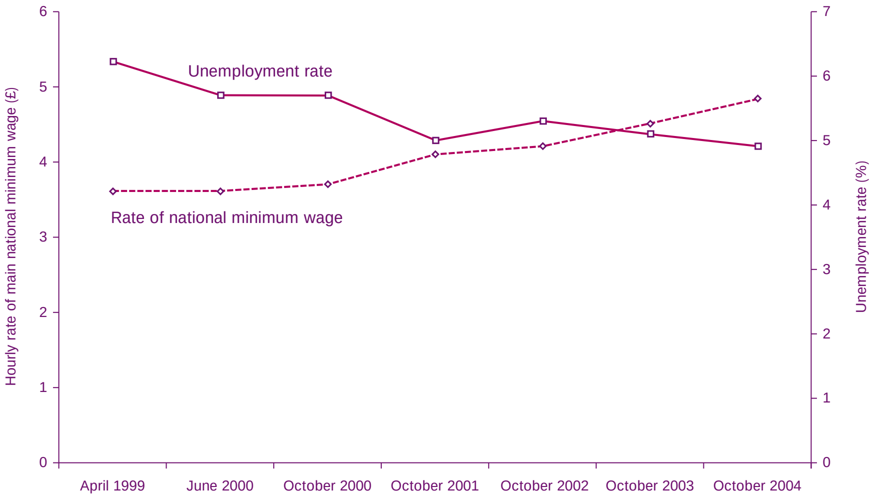
Figure 4 Gross weekly earnings of employee respondents to the New Earnings Survey, in Great Britain in 2003[75]

Reducing wage inequality has a significant role to play in narrowing wider income divisions. The national minimum wage and buoyant labour market demand both offer a significant opportunity to address this problem.

The national minimum wage is now six years old. It has been a real success but the time has come to make it work harder. Paid work is the principal source of income for families in the UK, but poorer families have the least, both absolutely and proportionally, money from this source. Not only are fewer poor families in paid employment, but they are also more likely to receive inadequate earnings. Raising the levels of pay for those in work – alongside improving benefit and tax credit investments for those who are not – would make a significant contribution to fighting poverty.

The argument often posed against the minimum wage, or more recently about extending it, is that it might be too expensive for employers, and therefore either stymie economic growth or create unemployment. The Confederation of British Industry (CBI) recently argued this in evidence to the Low Pay Commission, calling for a pause year to rises to the minimum wage.[76] It was noticeable that in evidence the CBI chose to argue largely about possible *future* damage to the economy – despite five years of the minimum wage, there has been little evidence of actual unemployment caused. As Figure 5 shows, quite the reverse is true – unemployment has fallen as the minimum wage has risen.

Figure 5 Minimum wage and the unemployment rate[77]



There is a strong moral case to increase the amount and proportion of income the poorest families derive from the labour market. To raise this would be popular amongst employees. Strong labour demand in the UK provides an opportunity not to be missed to reduce poverty by levelling-up wages and reducing the current scale of inequality. There is no evidence of any aggregate unemployment effect caused by the minimum wage. If such effects were experienced, it is reasonable to assume they would do so when labour demand was weak. The current buoyancy of demand (there were 646,400 vacancies in August 2004)[78] provides an ideal opportunity to push harder and further. Wages for the poorest earners need to rise: the time is right to increase the national minimum wage well above the rate of earnings growth.

On the most recent quarterly figures available – May to July 2004 – there were 36.6 million adults of working age in the UK. Of these 74.6 per cent were employed and 4.9 per cent unemployed.[79] Even with unemployment at an unachievable zero fewer people would be in paid work than Tony Blair's suggested target of 80 per cent employment. After taking account of a probable level of frictional unemployment as people shift jobs, the implication of Blair's target is a (substantial) reduction in the proportion of 'economically inactive' individuals, those not employed, but not seeking work such as many lone parents with young children and those claiming disability benefits. Policy ought certainly to consider these groups: children of lone parents, and children of disabled parents have a substantially greater risk of income poverty than the average.[80] The intent to increase the employment rate for lone parents is clear with a target aiming to reach a 70 per cent employment rate for lone parents[81] and there has been considerable speculation around incapacity benefit (IB) and the development of 'Pathways to Work'.[82] Further announcements were made on both incapacity benefit and lone parent support in the December 2004 pre-budget statement with a promised expansion to the Pathways to Work scheme and the lone parent in-work credit.[83]

Official rhetoric would have us believe that many of those who are not in paid employment want to work.[84] Many may indeed do so, but we need to be realistic about when and whether it is possible for them to do so. There are very good reasons why some groups are not in employment at the moment – relating to personal circumstances, caring responsibilities and the sorts of jobs available to them. Without addressing these issues and barriers to employment, moves to increase the employment rate will be counter-productive and wrong. There is already evidence, published by the Department for Work and Pensions, that the target to increase lone parent employment rates is being undermined not because lone parents are resisting employment, but because they are entering jobs which are inappropriate to their circumstances and are therefore not sustainable.[85] Indeed research demonstrates that if those jobs were sustained, the 70 per cent employment target would be achieved.[86] Increasing employment is possible, but it must be accompanied by a greater focus on improving job quality – not just pay but also conditions. The provision of good quality, flexible jobs coupled with affordable and accessible childcare, together with a greater investment in raising skills and supporting people into employment is crucial if child poverty targets are to be achieved.

Attaching further conditions to 'encourage' labour market participation must be resisted: supportive policy aimed both at benefit recipients and potential employers can work; forced participation will not. Official consideration has recently turned to people on incapacity benefits, arguing that many claimants could work. Where people are willing to work, it is right to offer support to assist them into appropriate employment, but CPAG has serious concerns about policy in this area. Although some people claiming IB might be able to work with appropriate support, a recent TUC discussion paper demonstrates that most cannot.[87] To hype the number who might be able to work will stigmatise the majority who are unable to do so.

Moves to force recipients into work are misplaced. Political rhetoric is fuelling social stigma of those in receipt of benefits. Phrases such as 'trapped on incapacity benefit'[88] or 'languishing on benefits'[89] are unlikely to generate a positive view of disabled people and may reduce take up of disability benefits, worsening poverty. Furthermore, attaching conditions to benefits may actually increase poverty rates. Evidence from the United States shows that an increase in conditionality has been associated with a rise in the child poverty rates, probably due to discouraging benefit take up and forcing people into inappropriate employment.[90]

Employment must play a central role in the eradication of child poverty. To be effective there must be better jobs, not just more jobs: work should be made fit for people, not just people fit for work.

Introduce free at the point of delivery, good quality universal childcare

Two key advantages are attributable to good childcare: the ability of parents to do paid work and developmental gains for the child. Both are critical to improving life chances for the poorest children. There is growing official recognition of the centrality of childcare to Government objectives and this has recently culminated in the Treasury publishing a 10-year childcare strategy.[91] The strategy not only underlines the importance of childcare to Government objectives but details welcome changes to address some of the manifest problems with current provision. Michael Howard, leader of the opposition, has also focused on this area, critiqued current provision and argued for reform of the childcare element of WTC to increase its flexibility.[92]

Current provision is primarily market based with a government demand-side subsidy provided through the WTC, but with some supply-side intervention through nursery places for 3- and 4-year-olds, Sure Start children's centres and out-of-hours school-based provision. The December 2004 pre-budget report extended each of these (dates of implementation vary by reform): increasing the proportion of childcare costs claimable (from 70 to 80 per cent) and the childcare maximums; an increase was announced to the extent of free nursery entitlement for 3 and 4-year-olds; and children's centres to each community by 2010.[93] These are welcome reforms as is the acceptance that childcare policies have not yet delivered all they must to help to eradicate child poverty.

These reforms, promised by the Labour Government, would take effect *after* a probable May 2005 election. CPAG welcomes the acknowledgement that this is an area where policy has not yet gone far enough, and the real effort and resources promised in the childcare strategy document. Good as it is, more is needed to tackle the inadequacy of childcare, and we still lack the commitment to universal, free at the point of delivery, childcare required to fully support the eradication of child poverty.

In July 2004, the childcare element of WTC was claimed by 0.3 million families – only 6.8 per cent of 4.4 million in-work families with a tax credit award.[94] Although this is a significant help to those who claim, the proportion who do so is remarkably small. This is partly because the amount it is possible to claim has been restricted – up to 70 per cent of the real cost to a maximum threshold of £135 for one child and £200 for two.[95] The maximum claimable is therefore £94.50 for one child and £140 for two; additional children get no extra, discouraging parents from using formal childcare. To qualify for this support, childcare must be formal – provided by a registered child carer – and does not cover informal sources of family or friendship networks. The proposal to increase the proportion of childcare costs covered (from 70 to 80 per cent) is a welcome one, but much depends on increasing the proportion of families actually receiving it.

Good quality childcare provision is important in reducing child poverty but current policy falls down before two hurdles: excessive expense and inadequate supply. Both factors bear most heavily on the poorest families. It is not yet clear the extent to which the 10-year childcare strategy proposed by the Treasury will tackle these, though it has made significant moves towards each, but the supply problem is a significant one and if supply is to rise while quality is maintained and improved, the expense will also rise. Parents are put off the childcare element of WTC because of the cost such care still means. If the cost rises, as it surely must with increases in quality and the sustainability of provision, it is unlikely an 80 per cent contribution and one capped by the maximum thresholds will be sufficient to provide adequate childcare.

Economically, greater childcare provision is a handmaiden to the market – both in terms of wider economic growth and in terms of the incomes families derive from paid employment. Increasing the availability of childcare may free parents to enter the labour market or increase hours worked. A tight labour market where skills may be needed from parents re-entering work, suggests more childcare ought to stimulate economic growth. Increasing the employment rate not only stimulates economic development, but can save the government money by reducing entitlement to in and out of work benefits.

Children's life chances can be maximised by early educational intervention. Good quality childcare has been shown to have beneficial impacts on children's early cognitive and social development – possibly with disproportionate gains to the poorest children.[96] Since recent analysis has emphasised the impact that social class has on child cognitive development[97] from a very early stage, there is a powerful argument for early years intervention which has informed government policy. Evidence, however, suggests that provision is seriously undermined by twin market failures: excessive cost and insufficient supply.

Assuming that work actually does pay, increasing employment should help to reduce poverty. However, accessing low paid employment may reduce entitlement to tax credits but not the additional costs of work, such as childcare and transport. This can result in negligible gains from work and possibly even a loss of income. Increasing employment income must be accompanied by an examination of the amounts of income lost through withdrawn benefit and tax credit entitlement. There are clearly advantages to keeping parents, and particularly mothers, in closer connection with the labour market. In the long term, time spent caring, rather than earning, has an adverse impact on pay progression and lifetime earnings, and therefore pensions.

There is an inverse relationship between childcare availability and area deprivation. The national average of between 12 to 14 places per 1,000 children aged 0-14 – little enough in itself – is actually about double the average for deprived wards which have between 6 and 8 places per 1,000 children.[98] This may be compounded by a greater reluctance to use existing services in poorer areas,[99] perhaps because of the cost or nature of formal provision, which may not be as suitable, or available, to families from ethnic minority groups, or families whose children are disabled or have special needs, or to families who work atypical hours.[100] Such families face a higher risk of being poor than the majority, white, population, as do families with disabled children.[101] Many of those working atypical hours are in the (often low-paid) service sector suggesting that they too are susceptible to poverty. The Treasury's childcare strategy will need to provide the greatest gains to those disadvantaged or in disadvantaged areas if it is to fully assist the eradication of child poverty.

A recent Public Accounts Committee (PAC) inquiry into early years provision noted high turnover as a central problem in the provision of paid-for childcare. Of 626,000 new full time places, 48.1 per cent have already closed down.[102] High turnover is likely to be greatest in poorer areas where profits may be relatively low and demand suppressed by parents' inability to afford provision. Though the PAC report notes good progress towards places for one million additional children (not all of which will be full time, so the figures quoted above may reflect places occupied by more than one child),[103] the drive to create more places is being heavily undermined by high turnover. Quality is also likely to be impaired by high turnover of staff and projects, and again this is likely to disproportionately disadvantage the poorest areas.

Providing a sustainable universal childcare service is a complex undertaking. In addition to the issues of principle, there are workforce issues around the numbers of childcarers, the training and the remuneration they receive. These workforce issues, in part being addressed as part of on-going policy reform, are critical to creating a service which is not only of a good quality – sufficient to maximise child development – but is also sustainable.

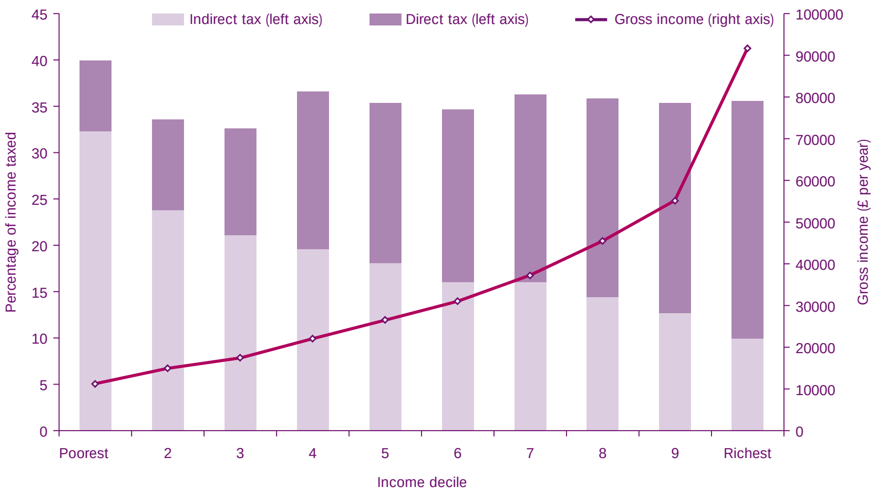
Finally there are important developmental gains associated with the provision of good quality childcare. Where services are provided only in certain geographic areas they will always fail to meet all need, since not all poor children live in poor areas. Greater urgency needs to be placed on rolling out children's centres as a vehicle for childcare (and other services). A clear timetable for this should be set in place, focusing first on the poorest 20 per cent (as is currently planned), then widening this to 30 per cent and beyond until children's centres are universally available. With this in mind it is welcome that the December pre-budget statement set 2010 as the target for a children's centre in every community.[104] That is encouraging but every effort needs to be made to beat the target.

In the short-term, sustainable ways must be sought of making more childcare available in deprived areas, as well as ensuring a greater variety of provision to match need. The long-term ambition should be universal childcare, free at the point of delivery, and the immediate priority is to establish an action plan with steps to get there, starting now. Recent Government attention in this area is very welcome, but it does not go far enough toward a universal childcare service, free at the point of delivery. Without adopting such proposals the pressure must be on the Government to deliver good quality childcare in a way which is not only sustainable – and in deprived as well as affluent communities – but in a way which is truly affordable to parents.

Reduce the disproportionate burden of taxation on poorer families

Most people believe that taxes should be proportional to the ability to pay. According to analysis of the British Social Attitudes Survey, three-quarters of people subscribe to this view, with only one in five saying they should pay the same proportion, and negligible numbers saying that the poorest people should pay a higher share.[105] The reality – what is actually paid – is startlingly different. Income tax and National Insurance are both direct taxes that are proportional to ability to pay. Council tax and indirect taxes on goods tend to be regressive. As a proportion of their income the very poorest households pay the most. About a third of the incomes of the poorest tenth of households with children are taxed this way by the state, more than cancelling out the progressive nature of income tax.

Figure 6 Tax take by income decile (households with children)[106]

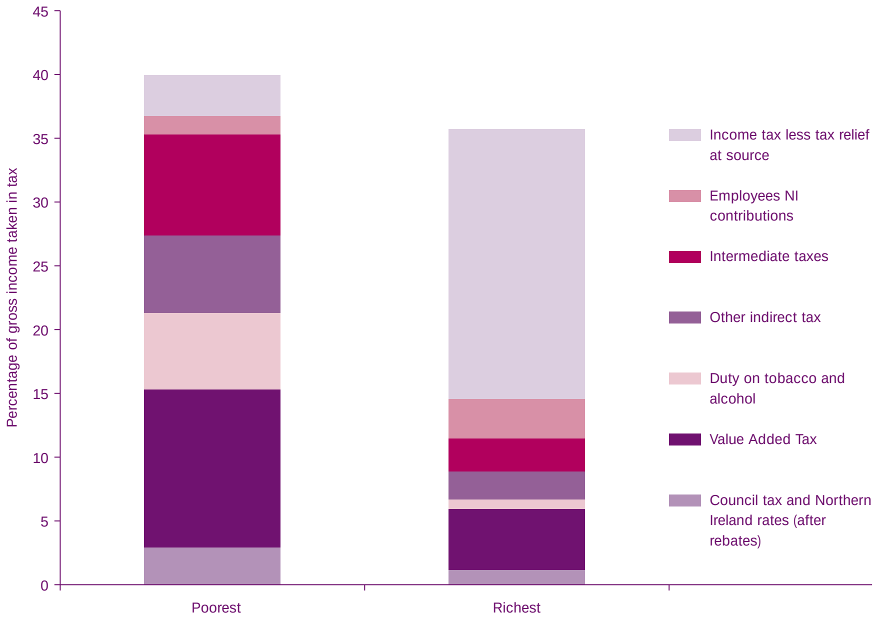


The level of taxation of the poorest families in society flies in the face of both public opinion and of anti-poverty policy. This is an area that has not been addressed under recent governments and warrants urgent attention within the strategy for reducing poverty and social exclusion.

It is not just indirect tax that is regressive: council tax costs proportionally more to the poor than to the rich. Even after council tax benefit – which rebates the cost for those eligible and who claim it[107] – the poorest tenth paid an average of 3.0 per cent of their gross incomes on council tax; the richest tenth paid 1.2 per cent.[108] Ways of reforming council tax have recently been suggested by both of the main opposition parties.[109] The possibility of some kind of local income tax which would be proportional to ability to pay, warrants serious attention to ensure that council tax does not work against anti-poverty policies.

Figure 7 examines the composition of taxation of the poorest and the richest tenth – the largest element is value added tax (VAT), which costs the poorest households with children about 12.1 per cent of their gross income, and the richest about 4.8 per cent. The next largest element paid by the poorest families is taxation levied on tobacco[110] and then on petrol. For richer households, the taxes that stand out are the direct taxes on income and national insurance contributions.

Figure 7 Tax take by source for the richest and poorest households with children[111]



The 'intermediate taxes' – those paid elsewhere such as employers' national insurance contributions but which are likely to have been offset against an individual's income – also have an overall regressive effect.

Some taxes, though regressive, are designed to influence consumption behaviour rather than raise money – the so-called 'sin taxes' on tobacco and alcohol. Whereas policy makers might not wish to change such taxes, the overall balance is significantly awry. Reform is needed to make the burden of taxation proportional. For example, the reliance on regressive taxes – council tax, VAT and others – could be reformed and reduced, or the gradient within existing proportional taxes (income tax and national insurance) could be sharpened. Many of the poorest families will however continue to pay proportionally more since they have to spend all of their incomes (and so are taxed upon the spending) and because they derive less of their income from work.

Addressing the tax burden is complicated, but vital to ensure we have a truly progressive taxation system that does not undermine anti-poverty policy and does not fly in the face of overwhelming public opinion. Greater redistribution through benefits and tax credits is required to offset the regressive effect of tax on the poorest people.

Notes

1 Tony Blair MP, 18 March 1999 speaking in Toynbee Hall. Reproduced in R Walker (ed), *Ending Child Poverty*, The Policy Press, 1999.

2 In 1979 the risk of child income poverty (defined after housing costs) was half what it was in 2002/03, See National Statistics, *Households Below Average Incomes: An analysis of the income distribution from 1994/5-2002/03*, DWP, 2004, p219, Table H2

3 Eurostat figures for 2001 suggest we have the fifth worst child poverty rate in the EU. Figures provided by Eurostat. This may have changed (and probably improved) due to the introduction of tax credits. The relative position is likely to have been affected by EU enlargement.

4 Men in the lowest social class (V) have a life expectancy of 71.1 years, 7.4 years less than those in social class I. Women in social class V can expect to live 5.7 years fewer than women in social class I; D Wanless, *Tackling health inequalities cross cutting review,* Department of Health, p21, Figure 1. Amongst other statistics Wanless quotes an infant mortality rate for social class V double that for social class I, a five times greater risk for children of accidental death in social class V than I and a 15 times greater risk for children in social class V than I of dying in a house fire (ibid, p21, Figure 1).

5 See P Ambrose, 'Can we afford poverty?' *Poverty*, CPAG, Volume 116, Autumn 2003. For an analysis covering the United States, see A Sherman, 1997, *Poverty Matters The Cost of Child Poverty in America,* Children's Defense Fund, particularly Chapter 3.

6 See Note 1

7 See A Marsh and S Vegeris, 'Employment and child poverty', p52, Table 5.1, in P Dornan (ed), *Ending Child Poverty by 2020: the first five years*, CPAG, 2004

8 See Note 2. The source of the data changed from the Family Expenditure Survey to the Family Resources Survey in 1994/95.

9 DWP, *Measuring Child Poverty*, DWP, December 2003, para 71

10 See CPAG, *Supplementary evidence to the Work and Pensions Select Committee inquiry into child poverty in the UK*, Spring 2004

11 M Brewer, A Goodman, M Myck, J Shaw and A Shephard, *Poverty and Inequality in Britain: 2004*, Institute for Fiscal Studies, 2004, p16

12 See Note 11, p17

13 See for example S Machin and P Gregg, 'A lesson for education: University expansion and falling income mobility', pp194-198, *New Economy,* Institute for Public Policy Research, 2003

14 UN Convention on the Rights of the Child, Article 27, clause 1

15 When analysing health outcomes, social class is used as a proxy for income. Infants born in England and Wales in 2001 to fathers in the lowest social class had double the risk of dying within the first year of life than those in the highest social class. See Department of Health, *Mortality statistics childhood infant and prenatal. Review of the Registrar General on deaths in England and Wales 2001,* Office for National Statistics, 2003, p62, Table 12. See also footnote 4 for life expectancy differences across the lifetime.

16 For an overview see B Beresford, 'Children's Health', pp66-89 in J Bradshaw, *The Well-being of Children in the UK*, University of York and Save the Children, 2002

17 See Education and Skills Select Committee, *Secondary Education Pupil Achievement* Seventh Report, October 2003, House of Commons, HC 513, especially paragraphs 55-60

18 Finance Committee, 2003, *Report on Cross-cutting Expenditure in relation to Children in Poverty* Scottish Parliament Paper 4 Session 2

19 See Note 18, para 110

20 Work and Pensions Committee, *Child Poverty in the UK*, 2004, HC 85-1, para 290

21 T Sefton, *A fair share of welfare: public spending on children in England*, Case report 25, London School of Economics Centre for Analysis of Social Exclusion, Save the Children and Economic and Social Research Council, 2004

22 See Note 21, p65, table 19. The upper and lower limits reflect the assumptions necessary to conduct the analysis.

23 See Note 20, para 292; Finance Committee, 2003, *Report on Cross-cutting Expenditure in relation to Children in Poverty* Scottish Parliament Paper 4 Session 2 para 96

24 HM Treasury, *Child Poverty Review*, 2004, p85, para 6.4

25 See Note 20, para 292

26 See Note 24, p57, para 5.36

27 The sum of the weekly equivalents of income support (adult payments), child benefit (rate for both first and second child) and child tax credit (family element and child element for each child) (rounded total)

28 This relies on data from National Statistics, *Households Below Average Incomes: An analysis of the income distribution from 1994/5–2003/04*, DWP, 2005, Table 2.3. The poverty lines referred to in the table have been inflated using the RPI from the position mid-point in the data collection year (September 2003) to the latest available data (February 2005), over which point prices grew by around 3.9 per cent (rounded figures).

29 Albeit one in the process of being changed, details of the new measure are available in DWP, *Public Service Agreement Technical Note for 2005-2008*, 2004
http://www.dwp.gov.uk/publications/dwp/2004/psa/tech_note_2005_2008.pdf

30 See J Bradshaw, and T Lynes, *Benefit Uprating Policy and Living Standards*, Social Policy Reports Number 1, SPRU, University of York, 1995

31 See Note 14

32 See Note 20, para 74

33 This is discussed below in relation to income support payments for adults

34 DWP, *The Abstract of Statistics 2003 edition*, Information and analysis Directorate, no date given, Table 5.6, p66

35 See Note 34, Table 5.7, p76

36 The 2 December 2004 Pre-budget report and associated documentation confirms an earnings rise for the child element of child tax credit but a freeze for the family element. See Inland Revenue, 2 December 2004, *Income Tax Allowances, National Insurance Contributions, Child And Working Tax Credit Rates 2005-06 And Fuel Duties*, press notice, available at http://www.inlandrevenue.gov.uk/pbr2004/pn02.htm

37 Child benefit is not wholly universal – there are immigration restrictions placed on it. It does, however, reach the vast majority of children in the UK.

38 As quoted by Paymaster General Dawn Primarolo MP, Hansard Column 816W, 2 March 2004

39 Problems are endemic in means tested benefits, see National Statistics, *Income Related Benefits Estimates of Take-up in 2001/2002*, DWP, 2004; the problem has also extended into tax credits, it was a problem for the, now defunct, family credit and working families tax credit. See Analysis and Research, *Working Families' Tax Credit Estimates of Take-up in 2001-02*, Inland Revenue.

40 See National Statistics, *Tax and benefit model tables April 2004,* DWP, 2004; also M Howard, *Tax credits one year on*, CPAG, 2004

41 DWP, *The Abstract of Statistics 2003 edition,* Information and analysis Directorate, no date given

42 Data up to 2003 is from DWP, *The Abstract of Statistics 2003 edition,* Information and analysis Directorate, no date given, Tables 1.1, 1.2 and 3.1; 2004 data is from National Statistics, *Consumer price indices September 2004,* CPI & RPI briefing note, 12 October 2004

43 National Statistics, *Labour market statistics October 2004,* October 2004 http://www.statistics.gov.uk/pdfdir/lmsuk1004.pdf

44 Analysis of DWP, *The Abstract of Statistics 2003 edition,* Information and analysis Directorate, no date given, Tables 1.1, 1.2 and 3.1

45 The rates were released attached to a press release. This body of the press release focused solely on the more generous increases for pensioners. The treatment of other benefits was revealed in the notes to editors and attachment. See DWP, *£2 billion extra to be spent on pensioners*, 6 December 2004.

46 See P Thornton, 'Ministers under fire as poor get 50p-a-week benefit rise' *The Independent*, 25 October 2004; P Collison, 'Jobless feel the benefits pinch', *The Guardian* October 16 2004

47 The rise was actually more generous in both amount and the proportionate rise, 1.1 per cent, than that which seems likely for income related benefits in April 2005

48 The Government has been shifting away from the McClements scale (but will presumably continue to publish results using it) and towards the modified OECD, ostensibly to bring it in line with international comparisons. CPAG has criticised the implication this has since it means a shift away from accounting for housing costs which are critical in accurately representing disposable incomes, see CPAG, *Supplementary evidence to the Work and Pensions Select Committee inquiry into child poverty in the UK,* Spring 2004.

49 See National Statistics, *Households Below Average Incomes: An analysis of the income distribution from 1994/5-2002/03,* DWP, 2004, p256, Appendix 5

50 These have been examined in detail elsewhere – see M Howard, *Tax credits: one year on*, CPAG, 2004

51 E Tanner, F Bennett, H Churchill, G Ferres, S Tanner and S Wright, *The costs of education: a local study,* Child Poverty Action Group Oxford and District Branch, 2003

52 T Ridge, *Childhood poverty and social exclusion from a child's perspective,* The Policy Press, 2002

53 T Brunwin, S Clemens, G Deakin and E Mortimer, *The Cost of Schooling*, DfES Research Report, RR588, October 2004

54 See Note 53. Data from p137 and from Table 14.1, p138.

55 According to DfES research, 62% of those households with incomes below £10,000 reported difficulties, falling to 3% for those with incomes over £50,000. T Brunwin, S Clemens, G Deakin and E Mortimer, *The Cost of Schooling*, DfES Research Report, RR588, October 2004, p126, Figure 126.

56 See Note 53, p133

57 Overall in the DfES study, 4% reported they thought their parents could not afford it whilst 89% said either that they forgot, or that they did not want to take part. See T Brunwin, S Clemens, G Deakin and E Mortimer, *The Cost of Schooling*, DfES Research Report, RR588, October 2004, p133.

58 See Note 53, p141

59 Analysis of National Statistics, *Statistics of Education: Education and Training Statistics for the United Kingdom*, DfES, The Stationery Office, 2004, Table 2.10

60 C Hurley and A Riley, *Recipe for change a good practice guide to school meals*, CPAG, 2004

61 See Note 59

62 See Note 2

63 Citizens Advice evidence briefing, *Help with uniform costs: update,* p4; a previous study came to very similar results, see National Association of Citizens Advice Bureaux, *Uniform failure* CAB evidence report, 2001, para 3.10, p.18

64 See Note 63*,* p3. figure 1

65 See Note 58

66 Elsewhere CPAG has suggested child development grants – with this in mind, see M Howard, *Lump Sums: Roles for the Social Fund in Ending Child Poverty*, CPAG, Family Welfare Association and One Parent Families, 2003

67 A recent example is charging for music tuition. Concern was raised by the Chief Inspector of Education about the low proportion of children receiving free school meals who were having tuition in a small survey. Of 15 Local Education Authorities they found that most provided some support for lower income children – though local administration and varying charging practice make it difficult to judge the impact – and that in one out of the sample of 15 authorities the bursary fell well short of the actual cost. See Ofsted, *Provision of music services in 15 Local Education Authorities,* HMI 2296, October 2004, para 48.

68 See Note 51, Appendix 1

69 No assistance exists outside the school term placing particular strain at that time. See O Gill and N Sharma, *Food poverty in the school holidays*, Barnardo's South West, 2004.

70 See for instance, J Penrose, *Poverty and Asylum in the UK,* Oxfam and Refugee Council, 2002

71 Which counts private households only. Even where families are covered, these will not be in sufficient numbers to impact on the figures.

72 See Note 24, particularly Chapter Three

73 51% of income poor children, based on the after housing costs relative income poverty measure, see National Statistics, *Households Below Average Incomes,* DWP, 2004, p53, Table 4.4

74 Tony Blair MP, 'The Opportunity Society', speech at Beveridge Hall, University of London, 11 October 2004

75 Analysis of National Statistics, *Labour Market New Earnings Survey*, 2003, Table A32

76 CBI, *CBI evidence to the Low Pay Commission Reviewing the Minimum Wage*, October 2004

77 National Statistics, *Labour Market Trends*, Volume 112, Number 9, October 2004, Table A.1. Unemployment rate is seasonally adjusted annual figure (draw from Spring quarter). It is a rate based on the International Labour Office definition for those of working age; Minimum wage data from DTI and Low Pay commission websites.

78 National Statistics, *Labour Market Trends*, Volume 112, Number 10, October 2004, Table G.1

79 See Note 78, Table A.1

80 See Note 73

81 See DWP, *Department for Work and Pensions Departmental Report 2004,* Cm 6221, 2004, p30

82 See S Osborne, 'Incapacity – cuts or compulsion?', in *Welfare Rights Bulletin,* CPAG, Issue 182, October 2004

83 See the Chancellor of the Exchequer's statement, 2 December 2004, available at http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr04/prebud_pbr04_speech.cfm; see also Chapter 4 of the main report, HM Treasury, *Pre-budget report,* December 2004

84 The Prime Minister has recently suggested that one million incapacity benefit recipients would like to work; Tony Blair MP, *The Opportunity Society,* Speech at Beveridge Hall, University of London

85 M Evans, S Harkness and R A Ortiz, *Lone parents cycling between work and benefits,* DWP, Research report 217, Corporate Document Services, 2004

86 See Note 85, p22

87 Trades Union Congress, *Defending Incapacity Benefit,* 2004

88 See Note 74

89 Reported by BBC, *Benefit cuts 'to boost pensions',* 15 October 2004, http://news.bbc.co.uk/nolpda/ukfs_news/hi/newsid_3745000/3745580.stm

90 See for example *The Impact of Welfare Sanctions on the Health of Infants and Toddlers,* The children's sentinel Nutrition Assessment Program, July 2002. For those families who had been sanctioned, as opposed to those in receipt of social security payments who had not, this study found evidence for children of a 30% higher incidence of past hospitalisations, 60% greater risk of 'food insecurity' (including, for instance, being underweight) and a 90% greater risk of being admitted to hospital on an accident and emergency visit.

91 HM Treasury, *Choice for parents, the best state for children: a ten year strategy for childcare,* December 2004

92 M Howard, *Parents need more choice when it comes to childcare*, speech to Conservative Central Office, 11 November 2004

93 See Note 91

94 Inland Revenue, *Child and Working Tax Credits Summary Statistics July 2004*, National Statistics, 2004. Analysis of tables 2.2 and 3.1

95 From April 2005 the maximum threshold will rise to £175 for one child and £300 for two. From April 2006 the proportion claimable will increase from 70 to 80 per cent of the costs below the maximum threshold. See HM Treasury, *Choice for parents, the best state for children: a ten year strategy for childcare,* December 2004.

96 Discussed in M Howard, *Tax Credits one year on*, CPAG, 2004, p56

97 See for instance S Aldridge, *Life chances and social mobility: An overview of the evidence*, Cabinet Office, 30 March 2004, p19

98 Strategy Unit, *Delivering for children and families,* Interdepartmental childcare review, November 2002, section 3.1.2; also see DfES, *Department for Education and Skills: Five year strategy for children and learners* Cm6272, July 2004, p21 for graphical illustration by local authority

99 L Harker, 'Childcare and child poverty', in P Dornan (ed) *Ending Child Poverty by 2020: the first five years*, CPAG, 2004

100 See Note 99, pp41-42

101 See DWP, *Households Below Average Incomes: An analysis of the income distribution from 1994/5-2002/03*, National Statistics, 2004, Table 4.7, p59. Data is for 2002/03 in Great Britain. Definition of poverty is children in households with needs adjusted incomes of below 60% of the national median after housing costs have been accounted for.

102 Public Accounts Committee, *Early years: progress in developing high quality childcare and early education accessible to all,* House of Commons, September 2004, HC-444 para 3

103 See Note 102

104 See Note 91

105 C Bromley, 'Has Britain become immune to inequality?', in A Park, J Curtice, K Thomson, L Jarvis and C Bromley, *British Social Attitudes,* National Centre for Social Research, p89, Table 4.11

106 Analysis of C Lakin, *The effects of taxes and benefits on household income, 2002/03*, Economic Trends, 607, June 2004, pp39-84, table 21, p71

107 Not all do. Latest data, that for 2001/02, suggests that only between 79 and 87% of those non-pensioners (principally families with children) entitled to council tax benefit were in receipt of it; one in five were not. See National Statistics, *Income Related Benefits Estimates of Take-up in 2001/2002*, DWP, 2004, p35 Table 3.1.

108 See Note 106

109 See for example Conservative party, *Conservative action on tax reform,* press release, 13 October 2004 http://www.conservatives.com/tile.do?def=news.story.page&obj_id=116595; Liberal Democrats, *2004, Freedom Fairness, Choice,* Pre-manifesto

110 The poorest spend more on smoking than the richest in both absolute and relative terms. However, the cash difference largely disappears when the 'sin taxes' on tobacco and alcohol are added together.

111 See Note 106

CHILD POVERTY ACTION GROUP
1965–2005

CHILD POVERTY ACTION GROUP
in SCOTLAND

www.cpag.org.uk