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# Turning up the volume on child poverty

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Rt. Hon Ed Balls MP  
Michael Gove MP  
David Laws MP  
Preface by Martin Narey







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*“Our goal for this generation is to abolish child poverty and let me reaffirm that goal today.”*

**Prime Minister Gordon Brown**

Speech to Labour Party Conference, 24 September 2007

*“We can make British poverty history and we will make British poverty history but only if we are honest about the causes of poverty and address ourselves to the long-term task of removing those causes as well as the symptoms.”*

**David Cameron MP, Leader of the Conservative Party**

Speech to Chance UK, 16 October 2007

*“No-one seriously denies that poverty has an impact on educational attainment and social mobility... the Liberal Democrats would open up opportunity for our young people and increase social mobility.”*

**Nick Clegg MP, Leader of the Liberal Democrat Party**

Speech to the Public Management and Policy Association,  
29 January 2008

## Foreword

A core part of the FSA's work is financial capability – helping people to manage and take control of their personal finances. Our world leading work on building people's financial capability in the UK is integral to improving economic wellbeing. And of course, improving economic wellbeing lies at the heart of general wellbeing. That is why we see financial capability as a key weapon in the fight against child poverty.

Financial capability is about equipping people with the skills and information they need to take control of their finances. It's not just a question of income, it's about making the most of the money you do have by keeping track of your finances, planning ahead and staying informed.

The consequences for those on a relatively high income of failing to manage their budget effectively may not be too harsh. But for low-income families particularly, being able to budget and making sure they are receiving all the benefits they are entitled to could mean the difference between getting by and not being able to afford the basics. Poor financial capability can have a direct effect on children in terms of their health and wellbeing, as well as the effects of living with a financially stressed and worried parent. And for children and young people, learning financial capability skills, while they are receptive to new ideas and are yet to pick up bad financial habits, could enable them to escape the cycle of deprivation in later life. As the leading political exponents who have contributed to this pamphlet emphasise, the problems of child poverty begin at an early age. We need to give every child the best possible start in life and help prevent them from becoming tomorrow's poor adults and poor parents.

So, educating families and young people in managing their money, especially at key stages in life such as education and the arrival of a new child, can play a part in the bigger picture of improving economic wellbeing and working towards the eradication of child poverty.

### **Chris Pond**

Director of Financial Capability, Financial Services Authority

## Preface

The consensus between the three main political parties concerning the urgency of the need to tackle child poverty offers communities in the UK an unprecedented opportunity. Labour, the Conservatives and the Liberal Democrats have all endorsed the aspiration to eradicate child poverty by 2020 and explicitly prioritised combating it – meaning that there is no question of there being enough political will between the parties to make this critical ambition a reality. But consensus on the end goal is only the first step. As we approach the 2010 interim target with a slowing of the decrease in the poverty rate – and an unexpected increase in 2007 – alongside more challenging economic conditions, the need to define an effective route map to realising the 2020 target has never been stronger.

Our understanding of poverty and its effect must be more sophisticated. The experience of poverty is more than just lack of income, although a very large number of families simply do not have enough money with which to live. It means a savage reduction in a child's overall life chances, creating lowered expectations in respect of their physical and mental health, their personal safety, their chances of attainment in school, their employment prospects. Ultimately child poverty means lives will be shorter. A male child born in the East End of Glasgow, for example, can have a life expectancy of only 56 years, 20 years below the national average for UK men of 76 and lower than life expectancy on the Gaza Strip.

Higher than average European child poverty rates harms not just the life of the individual child growing up in poverty, but blights our society overall. Despite the commendable progress that has been made since the Government first made the 1999 commitment first to halve and then eradicate child poverty in the UK, a startling one in three children still live in poverty. There is no cheap solution to this. Even allowing for the encouraging investment in combating child poverty in the recent budget, the Government still needs to find a further £3 billion if it is to reach the 2010 target of halving child poverty. But the economic and moral case for doing so is overwhelming.

This important pamphlet from 4Children provides a unique opportunity for key figures from each of the three main political

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parties to set out their programme to tackle child poverty and make their policy commitments a reality.

The Campaign to End Child Poverty welcomes the continued support of 4Children and other members who are working together to raise the profile of these issues amongst the public – behind the complex factors that lead to the creation of cycles of disadvantage lie real children and families who face challenging and difficult conditions every day. The campaign can galvanise support for the vision of abolishing child poverty, but ultimately it is those in power who must provide leadership and a bold, reinvigorated case for change to make that vision a reality.

### **Martin Narey**

Chair of the End Child Poverty Campaign  
Chief Executive, Barnardo's

**Secretary of State for Children, Schools and Families**  
**Rt. Hon Ed Balls MP**

## **Introduction**

No child deserves to be poor. It is an unacceptable injustice. Child poverty can stunt children's opportunities in life. It limits their educational chances, it restricts their health and happiness, and it often curtails their aspirations too.

Childhood experiences also lay the foundations for later life. Today's poor children are all too likely to become tomorrow's poor adults and poor parents – creating intergenerational cycles of poverty and disadvantage.

It has always been the Labour Party's mission to tackle injustice and inequality wherever we see it – and there can be no greater injustice than children's life chances being limited by being born into poverty. That's why the bold and historic commitment this Government made in 1999 – to halve child poverty by 2010 and end it by 2020 – is so important. It is one of the most ambitious economic and social policy objectives set by any government in the developed world. It remains one of the driving purposes of this Government and we are committed to taking further measures to make progress towards these goals.

Aiming to give 'every child the best start in life' is not just a slogan or a soundbite, but a mission statement of this Government. Over the last few months we have taken further steps to put the needs of children and tackling child poverty even more firmly at the centre of everything we do – with the new Department for Children, Schools and Families, the Children's Plan and the joint Child Poverty Unit, as well as the significant measures announced in the March 2008 Budget.

Tackling child poverty is both a moral imperative and an economic necessity. It's about fairness and improving the life chances of low-

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income families, but it has benefits to wider society too. As a nation we cannot afford to waste the talents of any of our children and young people and as a society we all benefit when communities and families are strong and cohesive.

Reducing child poverty means the wider costs of poverty can be cut too, with reduced crime and improved health. That's why child poverty is everyone's problem and tackling it needs to be everyone's business.

### Where we've come from

To see the scale of the challenge it's worth remembering where we've come from. By the time this Government came to power in 1997, the UK had the worst rate for child poverty in Europe – indeed, it was one of the worst of any industrialised nation. Child poverty had more than doubled between 1979 and 1997.

Since then, we have managed not just to halt but to reverse that long-term trend of rising child poverty. There are 600,000 fewer children living in relative poverty now than there were in 1998/99 – the biggest fall of any EU country over this period. In the same period, the number of children living in absolute poverty has halved.

Reforms to the tax and benefit system – including the introduction of tax credits – are one part of this success story. Had we done nothing other than simply uprate the tax and benefit system we inherited in 1997, child poverty would have continued to rise. In fact there might have been 1.7 million more children in poverty than there are today. We have also invested in public services and driven reforms that ensure that these services deliver results, and in particular that they deliver for the poorest families.

And work has been central to our ambitions too. At the same time as introducing the first-ever national minimum wage we now have more people in employment than ever before. Over 2.7 million more people are in work, including 335,000 more lone parents – bringing the number of lone parents now in work to more than a million.<sup>1</sup>

## The challenge ahead

Yet despite the progress made, ending child poverty is an ambition on an unprecedented scale and we do not underestimate the challenges ahead. I shared the disappointment of child poverty campaigners that last year's figures – for the first time since 1999 – showed an increase in the number of children living in poverty.<sup>2</sup>

In every typical class of 30 children in our schools, 6 or 7 of those children are still living in relative low income poverty. In areas such as London, this figure rises to nearly half. And children in some families are much more likely to live in poverty, including those with a disabled family member, a large number of children, or in ethnic minority families.

So meeting the 2010 goal to halve child poverty and our 2020 goal to eradicate it altogether is not going to be easy. But, as I said in a recent speech to the End Child Poverty campaign, I want to be clear that we're not going to abandon these goals just because the going has got tough. This is when we need to redouble our efforts and when we need to try even harder.

All of us in this Government – including the Prime Minister, the Chancellor and the Work and Pensions Secretary James Purnell – are committed to working together on tackling child poverty and doing more to reach our shared goals. That's why despite the tight fiscal climate, this year's Budget contained £950 million to tackle child poverty – to lift a further 250,000 children out of poverty.

These measures, together with the increases in universal child benefit and significant investment in tax credits of previous Budgets, mean that by April 2010 families with children in the poorest fifth of the population will be on average £4,500 a year better off in real terms compared to 1997.

## Stopping poverty passing from one generation to the next

While financial support for families with children is vital, an effective and sustainable strategy to tackle child poverty must address all the causes and consequences of poverty, maximising impact on outcomes for children now and in the longer term.

Many of the parents and young adults of 2020 are children today, so education is one of the key ways we can tackle child poverty in the long term. Our aim is to raise aspirations, make sure every child can fulfil their true potential and not be held back by poverty and disadvantage.

Over the last decade we have made progress on narrowing the attainment gap: GCSE results are actually rising faster for children entitled to free school meals than the average. However, when poorer children are still only half as likely to get five good GCSE passes, there's clearly still a long way to go.<sup>3</sup> My Department now has a specific target, backed up by targeted investment over the next few years, to narrow the gap in educational achievement between children from poorer backgrounds and their better off peers.

In order to achieve, it's essential that we tackle all the barriers to learning inside and outside of school. That's the key thinking behind our Children's Plan<sup>4</sup>, which brings together all aspects of children's policy across government, and gives a new focus on early intervention and local services – Sure Start centres and mid-wives, schools and GPs, youth centres and youth offending teams – working together beyond traditional institutional boundaries for the best interests of children.

But the Children's Plan also recognises that it's too late to wait until children get to school. Life chances are usually determined in those first months of a child's life. That's why our investment in childcare and good quality early years services is so critical. For example, we now have over 2,500 Sure Start Children's Centres across the country and we are investing in outreach workers to make sure the most disadvantaged families benefit from the range of services Sure Start offers.

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Building on the free early years provision we've introduced for all three and four year olds, the Children's Plan announced investment to extend this to 20,000 two year olds in the most disadvantaged communities. And because the months during and just after pregnancy are particularly important, from next year we will pay universal child benefit to all expectant mothers from the 29th week of pregnancy.

We are also taking action to radically change the support we give to the most vulnerable children in society. Over the next three years we are investing almost £300 million to improve services for disabled children and their families and taking forward the 'Care Matters' agenda to transform the life chances of children in care.

## Making work pay

As Lisa Harker's recent child poverty report<sup>5</sup> made clear, work – for those who can – provides the best, most sustainable, route out of poverty. A child of a lone parent who works, for instance, is three times less likely to be living in poverty than a child of a lone parent who doesn't work.

But while work remains the best route out of poverty, it is not a guarantee: 1.4 million children in working families are in poverty. A combination of low wages or low hours, or both, in low skilled jobs can mean that working families remain in poverty.

So James Purnell and I are clear that we must do more to ensure that work provides a clear route out of poverty for all families. We have coupled the minimum wage – rising year on year and to £5.73 from this October – with additional benefits such as the working tax credit. And we recognise the constraints that make work difficult for many parents. We will roll out the 'In Work Credit' to support lone parents in the difficult transitional period after starting work. And we are investing in affordable, accessible and reliable childcare so that parents can go to work – and fulfil their ambitions – safe in the knowledge that their children are being well looked after.

In the longer term, investing in skills will also make it easier for people to stay in work, to progress, and to increase their income. Of course, the best way to equip individuals with skills is to get

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education right the first time round – to ensure that all young people leave school equipped with the skills they need for success.

But we will also unlock the talents of everyone by giving adults second chances. 1.7 million people have already got a qualification in literacy, language and numeracy through the Government's Skills for Life Strategy. And many more will benefit in the years ahead as we introduce a right for adults to get basic and intermediate skills training free of charge.

## Everybody's business

While the Government is deeply committed to eradicating child poverty – through extra financial support for families with children, making work pay and investing in childcare, education and skills – we also recognise that we cannot achieve this goal alone. Local authorities, public services, employers and the voluntary sector all have a critical role to play. And, of course, families must play their part in making the most of the opportunities available to them.

As part of our renewed drive to tackle child poverty, set out by Alistair Darling, James Purnell and I in the report *Ending Child Poverty: Everybody's Business*<sup>6</sup>, our new joint Child Poverty Unit will be working with all these partners, piloting a number of new initiatives including placing tax credit advisers in Children's Centres, and investing in research to ensure that our strategy going forward is as effective as possible.

## Conclusion

It was this Labour Government – back in 1999 – which had the courage and vision to set targets to halve child poverty by 2010 and eradicate it by 2020. Today, almost a decade on, we are as determined as ever to meet these challenging goals.

Thanks to the work of campaigners, other political parties have in the last couple of years said they support ending child poverty. But despite this progress I fear a cross-party consensus on eradicating child poverty is still some way off. There is a big difference between being committed to a target and supporting it with a range of

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policy measures, and simply saying that ending child poverty is an 'aspiration' and not backing this up with any discernible policies. And it's not credible to claim to support the ends if you are not prepared to will the means.

Nevertheless, the debate is shifting on to our terms. Encouraged by the campaigning of 4Children – and the growing coalition behind the End Child Poverty campaign – we are determined to go even further. Our child poverty goals have galvanised our action up to now and they will continue to do so.

It will not be an easy task, but it is the right thing to do. It's not just about fulfilling a historic mission of my Party, but about building a future in which every child can fulfil their true potential and where no child grows up blighted by poverty. And working together I believe we can – and we must – end child poverty once and for all.

**Shadow Secretary of State for Children,  
Schools and Families  
Michael Gove MP  
The Conservative Party**

There are 3.8 million children living in poverty in the UK, one in three of all children. The UK has the worst rate of child poverty in the European Union – a third of Europe’s poorest children live in the UK. Child poverty is three times higher than it was 20 years ago, to the extent that today one in five children live in a family where no one works at all. The phenomenon of child poverty is endemic across many parts of Britain, with whole streets of children being brought up in households entirely dependent on benefits. In the centre of Manchester, half of all local children are being brought up by benefit-dependent families. In central London, more than half of all children are being brought up in poverty.

All of the evidence is that child poverty is the start of a cycle from which it is very difficult to escape. We know that children brought up in workless households are more likely to fail at school, more likely to end up workless when they leave school and more likely to be caught up in antisocial behaviour and crime. Because of this, child poverty is something that no politician should accept and that every politician should work to eradicate.

This makes it all the more depressing that the number of children in the UK living in relative poverty has increased by 100,000 in the last year. Official statistics showed the number of children living below the poverty threshold rose for the first time in almost a decade in 2005/06, up to 2.8 million from 2.7 million.<sup>7</sup> This figure increases to 3.8 million when housing costs, such as rent or mortgage payments, were factored in – an increase of 200,000 from comparable figures for the previous year. Worse still, the number of people – many children – living in severe poverty has, according to the Government, risen by 600,000 in the past decade.

The Prime Minister set a goal of reducing child poverty by half by 2010. This still means that an additional 1.1 million children need

to rise above the relative poverty line (60% of median household income) by the end of the decade. And yet a recent research project by the Joseph Rowntree Foundation has estimated that the effects of current and planned welfare to work policies combined with existing policies for increasing tax credits and benefits, taking account of the effect of demographic changes, will be to keep child poverty roughly at its present level by 2010 and reduce it by only 260,000 by 2020. Far from 'ending' child poverty, this would only be enough to reach the missed 2004 target.<sup>8</sup> This is not good enough. Reducing child poverty must be a priority, and it will be a priority for the next Conservative government. We endorse and share the widely held aspiration that child poverty in Britain should be eliminated by 2020.

## The importance of measures to promote work

That's why radical action is so important. The first step is to tackle the scourge of worklessness. Poverty is not just an issue of worklessness and we must remember that families on low incomes are affected too. But the fact is that we can't lift people out of poverty if they are trapped on benefits. To address this, a Conservative Government will introduce US and Australian style 'Back-to-Work' centres across the country, where people on benefits will get help with job applications, with IT skills and with interview techniques. In due course we will publish plans to reinforce that effort in promoting work through a greater focus on skills development and the provision of childcare for working parents. Flexible childcare, which respects the different needs of women at different stages of their life and career, has to be a central part of any drive for greater equality and properly fulfilling employment for all.

## Income support for low earning families

But getting people back into work is only one part of tackling the child poverty challenge.

The second step is to strengthen the support that we give to families who are in work but on low incomes. That involves using the savings generated by welfare reforms to abolish the 'couple

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penalty' in the tax credits system, which leaves many couples better off if they live apart. This would see levels of the credit raised from £3,430 to £5,385. In doing so, we will be directing an additional £3 billion a year towards many of Britain's poorest families – and helping reduce family breakdown, one of the key causes of child poverty. Estimates suggest this change alone will lift at least 300,000 children out of poverty.<sup>9</sup> Our radical welfare reform plans will, we believe, help take that figure towards half a million children.

## Directing measures at key stages

We must also recognise that the problems of child poverty begin at an early age. The first few months and years of a child's life are some of the most important in their development. According to work by Leon Feinstein from the Institute of Education, children at any level of educational attainment born into disadvantaged circumstances begin falling behind their peers from wealthier backgrounds after just a matter of months.<sup>10</sup> We need to act sooner rather than later to prevent this from taking place. Targeted intervention that gives the best possible care and support for struggling families can help to provide this.

Elsewhere in Europe, this is already the case. The Dutch system of maternity nurses for all, named 'kraamzorgs', helps parents in the vital first few days after a child is born, ensuring there is an experienced extra pair of hands there to guarantee both mother and baby get rest while providing expertise on everything from bathing to breastfeeding. If we too can provide a better level of support for parents during the first months, we may be able to help crack some of the problems of inequality and social mobility which hold us back as a country, ensuring that every child gets the sort of support that currently only the wealthier can buy.

## Education, skills and lifelong learning

But if we are truly serious about ending the blight of child poverty, we must also break the stubborn and persistent link between economic and educational poverty. Educational failure is deeply ingrained, depending upon one's parental background. According to the latest figures, only 25% of pupils whose parents are

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employed in the unskilled sector, what the Department for Children, Schools and Families calls a 'routine job', will be in full-time education by the time they are 19, compared with 61% of those born to higher-level professional workers. At a time when access to higher education is the strongest indicator of future economic success, only 9% of children of parents who are in the poorest fifth of the population children graduate from university by the age of 23 compared with 46% of children in richest fifth.<sup>11</sup>

It must be a priority of our education system to end the educational poverty trap that is located in some of our poorest areas. Schools should be the engines of social mobility, allowing every child to achieve the best, and creating new opportunities for the poorest pupils to help lift them out of long-term poverty.

But in recent years, the evidence points in the opposite direction: the gap between the performance of the poorest pupils compared to the richest is widening instead of closing. A simple analysis of GCSE results in the past three years sets out clearly this alarming trend.<sup>12</sup> In 2005, pupils in the 10% most deprived areas gained 28.2% 5A\*-C including English and Maths. Pupils in the 10% least deprived areas gained 56.2% – an attainment gap of 28 percentage points. In 2006, this trend hardens, with figures relating to children in the 10% most deprived areas showing attainment of 29.2% 5A\*-C including English and maths. Meanwhile, pupils in the 10% least deprived areas gained 57.6% – an attainment gap of 28.4 percentage points. In 2007, however, pupils in the 10% most deprived areas fell back to 25.3% gaining five good GCSEs including English and maths, while those in the 10% least deprived areas pulled away, with 68.4% gaining five good GCSEs including English and maths. The attainment gap between the poorest and the richest has therefore widened in the past year from 28.4% to 43.1%.

Tracking the progress of free school meals (FSM) pupils over the past five years, and comparing their progress with non free school meals pupils, reveals an alarming widening gap that grows as these pupils progress through school. In 2002, at Key Stage 2 aged 11, the gap between FSM pupils and non-FSM pupils reaching Level 4 was 26 points for English, 16 points for maths and 10 points for science. In 2005, for the same pupils at Key Stage 3 aged 14, this gap (for those reaching Level 5) had grown to 27 points for English, 27 points for maths and 30 points for science. And in 2007, by

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the time pupils came to take GCSEs, 21.1% of FSM pupils gained five good GCSEs including English and maths, compared with 49% of non-FSM pupils – a gap of nearly 28%. This evidence points towards the fact that school does not close the gap, it merely exacerbates the trend.

We need to tackle the widening gap in our schools if we are to break the cycle of child poverty. The Conservative Party has set out our proposals on how this might be achieved through our Green Paper, *Raising the Bar, Closing the Gap*.<sup>13</sup> We have set out the necessary steps that need to be taken now, providing instant action that can improve standards in every school: First, there must be a recognition that educational failure begins at an early age. The ability to read must be the foundation to later and indeed lifelong learning: pupils must learn to read so that they can read to learn. This is sadly not the case at the moment. 40% of pupils left primary school last year without having mastered the basics in the 3 Rs. And yet we have the means and the method to tackle reading failure. Synthetic phonics, recommended by the Rose Review, has been proven to eradicate reading failure. In Britain, the experience of both Clackmannanshire and West Dunbartonshire – the latter a particularly disadvantaged area – shows that near-universal literacy can be achieved if proper methods are deployed. Teaching reading using synthetic phonics, which had been stigmatised for years by the educational establishment, helped all children read more quickly and comprehensively and helped those from poorer backgrounds most of all, closing the attainment gap which had existed before.

Second, we must place greater focus on what goes on inside the classroom: the teaching methods that are employed and what is taught in schools. There is strong empirical evidence that it is precisely by embracing teaching methods once derided as stuffily conservative that we can give children from poorer backgrounds a better start in life. In America, an educational initiative called ‘Project Follow Through’ charted the progress of over 75,000 children from poorer families from 1967 to 1995. The best results were achieved by those children taught using traditional methods, including learning to read using phonics, being regularly tested to ensure that knowledge had been absorbed before moving to the next level, as well as being held to account for every incident of bad behaviour. America’s KIPP (Knowledge is Power Program) schools

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apply a similar philosophy, with high academic expectations of their broadly black and Hispanic intake, a strict approach to behaviour management which instantly penalises poor discipline and brings hugely impressive results.

Our proposals to create New Academies will also help create 230,000 good new school places in new schools run by educational charities, livery companies, philanthropists, teachers and parents, and open to all. We anticipate that these will be targeted at the poorest pupils, with more money made available for children from the poorest backgrounds through a 'pupil premium', which will ensure that extra funds follow those pupils to the school that educates them. The New Academies that we have proposed, like existing Academies and other schools within the maintained system, will thus be incentivised to seek out and accept pupils from more challenging backgrounds. It will also be another factor which will lead those planning to establish New Academies to consider pioneering their set-up in areas of concentrated deprivation, where attracting more pupils will secure more resources.

## Conclusion

Britain today should not be a country where child poverty remains endemic. But it is. It will fall to the next Conservative Government to take decisive steps towards eliminating child poverty. This means not merely reducing child poverty in economic terms, but ending the bitter cycle of deprivation once and for all. Our education system must be at the forefront of that battle: a battle to give every child, regardless of their background, the opportunity to succeed and lift themselves out of poverty.

**Shadow Secretary of State for Children,  
Schools and Families**  
**David Laws MP**  
**The Liberal Democrat Party**

The scale of the problem of child poverty is clear: a 2007 UNICEF report ranked Britain bottom of 21 countries on child well-being.<sup>14</sup> Even in the 1970s, when Britain was less affluent overall, only 10% of the population were in relative poverty. Under the last Conservative government, child poverty tripled. Today, overall wealth has increased, but 12 million people remain in relative poverty and 3.8 million of these are children.

Even more worryingly, the chance of escaping poverty remains shockingly low. Your life chances and income at age 30 are more influenced by your parents' background and income than in almost every other developed country in the world. Britain is a meritocracy, but one in which the chances of acquiring 'merit' are hopelessly unequal.

The Liberal Democrats, in our 2007 policy paper, *Freedom from Poverty, Opportunity for All: Policies for a Fairer Britain*<sup>15</sup>, have addressed key areas for reform which can help give children the opportunities to secure a better standard of living and more opportunities. We want to establish a real meritocracy in which everyone, regardless of background, is given the chance to acquire the education and skills to succeed. We believe that Government interventions, in partnership with the private and voluntary sectors, can create the real opportunities that will tackle the root causes of poverty, rather than trapping people in an endless cycle of dependency.

## **Deprivation and the impact of unemployment**

This trap is worsened by concentration in increasingly specific areas. Housing policy has seen the more affluent excluded from

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traditional council estates, while rising house prices have restricted options for poorer families. Poverty levels are particularly high for some ethnic groups, who often become concentrated in such neighbourhoods. The effects of this are clear: deprived areas have higher rates of crime and anti-social behaviour, whilst services of all kinds face greater challenges which are often not matched by their funding. Evidence suggests that these problems are getting worse: among those in social housing, the full-time employment rate has plunged from two thirds to one third since 1980. It is increasingly hard to escape deprivation, with poor children more likely to fail at school, have poor health, commit crime and become unemployed.

Despite the Government's boasts, the employment level remains a major problem in British society. In 2006, 9.4 million people of working age were jobless, a quarter of the potential workforce, and 60% of these were in poverty.<sup>16</sup> Indeed, the proportion of men in work actually fell from 89% to 79% between 1976 and 2006. The overall employment rate stayed static only because of the rise in women working. There has been an increase in the number of households with two adults working, but this has also brought a significant group of households with no earners. Labour has also failed to help those on incapacity benefit back to work, which is now being claimed by 2.7 million people, one of the highest levels in the world. Without fighting unemployment and welfare dependency, it is impossible to bring families out of poverty.

## Education and lifelong learning

Liberal Democrat policies target an extra two million people in work by 2020. Improving skills is a major policy challenge. A million of those on incapacity benefits, and 40% of lone parents, have no qualifications. Research for the National Audit Office found that the current system is good at assessing benefit entitlement, but not good at assessing the needs of the individual.<sup>17</sup> We want the government to play a much more proactive role in helping break down barriers to employment for all claimants, and use the voluntary and private sectors to ensure that the individual receives the right support. This has been proven to work in Australia, and in Britain the Freud Review proposed further use of external providers for the most severely disadvantaged.<sup>18</sup>

## Welfare to work

There are also barriers to work which need to be removed. When starting a new job many people face new short-term costs, such as buying new clothing and travelling to work. Changing benefit 'run-on' rules to allow people returning to work to continue to receive benefits for two weeks would ensure that people are not put into financial hardship because they have started employment. We would also set a fast-track target of seven days to process all housing benefit claims for those entering employment. This would make people genuinely ready to enter the labour market without fearing that they would be unable to make ends meet in the short term. These are simple measures, but have the potential to lift large numbers of families out of poverty.

For taxpayers, the benefits system also needs radical reform. Since 1997, the Labour Government has massively increased the use of means testing. There are now over 22 million means-tested benefits in payment – including 6 million households on tax credits, over 4.2 million on income support and minimum income guarantee, 2.7 million on pensions credit, 4 million on housing benefit and 5 million on council tax benefit. Labour has drawn hundreds of thousands of people into the complex web of the benefits system through an approach which is neither cheap nor well-targeted. Tax credits are now paid on incomes up to £60,000, costing the public £17 billion. Moreover the means-testing system now undermines incentives to work, to save, and even for couples to live together. Many poor people – those most in need of help – never receive their entitlements. The complexity of the system is one major reason for this, and needs urgent addressing.

The Liberal Democrats believe in higher non-means tested benefits to address the specific problem of child poverty. Our policies would raise the level of child benefit – which unlike tax credits has a take-up rate of almost 100% – by up to £5 per week for every family, which would immediately help reduce the number of people in poverty by 400,000. However, this can only be part of the solution: the Joseph Rowntree Foundation found that if the Government relied primarily on tax credits and benefits to meet child poverty targets, it would cost an extra £28 billion<sup>19</sup>, which is clearly unaffordable. Employment, tax credit and benefit reform must be joined by reforms in other areas, notably housing and education.

## Unemployment and housing for families

The jobless and those on low incomes also pay the price for failures in the British housing market. Over the last few years, house prices have soared in Britain, and the number of people on the waiting list for social rented properties has risen by 50%, to 1.5 million. Those on lower incomes are being hit hard. Poor housing exacerbates poverty and inequality, increasing overcrowding and homelessness, and geographically concentrating deprivation. Poor housing has a particularly serious impact on child well-being – over 100,000 children are in insecure temporary accommodation, and 900,000 are in overcrowded homes, half a million of which are unfit for habitation. Young people struggle to get on the housing ladder, and the housing benefit now costs Britain £15 billion each year. These problems need addressing to lift children out of poverty, and give them a fair chance in life.

Labour has failed to address housing issues. New building of social rented properties has halved since 1996, to around 20,000 in 2005/06. Demand for housing has outstripped supply, with new house building failing to keep pace with new household formation. The planning system effectively prevents satisfactory outcomes for both local communities and the level of affordable housing. Liberal Democrat proposals would help increase the building of affordable, social rented or low cost homes to 100,000 per year. We would free up the planning system, devolving more control to local government, and give local communities greater incentive to permit development.

Local government needs to take a much greater responsibility for housing issues generally. Vast quantities of land in the UK are owned by local authorities and other public bodies. Liberal Democrats would make clear that all public authorities would be expected to make available surplus land for affordable housing where there is a local need. We would also require local authorities to maintain an accessible housing register, to enable them to re-let appropriate housing more effectively. This has achieved much more efficient use of accessible properties where it is already being used, in Liverpool, Glasgow and Reading amongst others.

## Education to lift life chances

Inequalities in society are clearly reflected in the education system. Almost a quarter of UK children have very low literacy and numeracy standards, and most of these are from poorer households.<sup>20</sup> Pupils in receipt of free school meals are almost half as likely to achieve 5 A–C Grades at GCSE.<sup>21</sup> Last year, a Sutton Trust Report found that 44% of young people from the richest fifth of households acquired a degree in 2002, but only one in ten of those from the poorest 20% of households did so.<sup>22</sup> However, the root cause of this is in inequalities which become apparent in the earliest years of a child's life.

Children from the most deprived backgrounds are falling behind in their education even before they start school, and all too often they don't catch up. The brightest children from the poorest households at age three drop from the 88th percentile on cognitive tests to the 65th percentile at age five. Over the same period, the least able from the wealthiest families move up from the 15th to the 45th percentile. Early years education is vital. For this reason the Liberal Democrats would invest an extra £500 million per year in education for children under five in workless households, that currently do not receive the childcare element of the working tax credit, and ensure that the entitlement of 12.5 hours of pre-school education is available to all. Evidence suggests that in the first couple of years of their life children are usually best off at home with their parent or parents, so it is vital to give more support to parents who want to make this choice.

This commitment must be matched by addressing the inherent inequality also evident in primary and secondary education. The evidence from Nordic countries shows that the best education systems create greater social mobility. In Britain, school catchment areas have become increasingly polarised between the affluent and the deprived. The top 100 state secondary schools have only 1.7% of pupils on free school meals compared to the national average of 14.7%. Moreover, our antiquated funding system means that two nearby schools may be funded identically despite facing greatly dissimilar challenges, while almost identical schools in different areas may find huge disparity in their funding. Schools in 'pockets of deprivation', surrounded by more affluent areas, lose out. If the underachievement of children from deprived backgrounds is to be

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reversed, schools with high needs need more resources to cope with these demands.

The Liberal Democrats would introduce a pupil premium, where higher funding is attached to children from deprived backgrounds and with high needs, and this would follow each pupil to whichever school he or she attended – giving schools a greater incentive to take ‘hard to help’ pupils. By spending £2.5 billion on the 15% most disadvantaged pupils with the greatest need, funding for these pupils will rise to eventually match that in private schools. This would double current deprivation-related school funding.

Alongside this, we want to see an emphasis on higher school standards. Too many pupils fail to leave primary and secondary schools with decent standards of literacy and numeracy. We must strive to achieve higher levels of both in all our schools, amongst all our students. Those pupils falling behind should have access to ‘catch-up classes’ at weekends and after school – the Pupil Premium would help give schools this option. We would abolish the Child Trust Fund, and invest the £240 million where it can make an immediate difference: in employing more teachers. We must seek to increase the number of students with good grades in five or more GCSEs and we should restore confidence in exam standards by looking at the establishment of an independent body to monitor these. Higher standards for everyone will help ensure that social mobility becomes a reality in British society.

## Conclusion

Child poverty in Britain can be tackled only through a combination of longer term solutions such as the Pupil Premium, and the short-term fixes to housing, employment and benefits outlined above. The importance of acting is clear: inequalities of income, wealth and opportunity cause enormous damage to society. Levels of crime and anti-social behaviour, community cohesion and political participation are all adversely affected. Liberal Democrat policies reject the failures of the past, the big government approach of Labour and Tory ‘voluntarism’, in favour of giving people freedom not only from poverty, but also from state dependence.

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### 4Children

As the contributions to this pamphlet show, the debate on tackling child poverty in the UK has been reignited not only by the forthcoming interim 2010 target to halve it, but also by the unprecedented aspiration of all three main political parties to eradicate it by 2020. The importance of this cannot be underestimated.

All contributors acknowledge the causes and conditions of poverty are multifaceted and that to tackle them we need to create a sophisticated approach that can boost family income, address barriers to employment and equip both parents and children with the skills they need to outwit disadvantage. However, despite this, there is still a long way to go before we can consider it done. The bold aspirations across the political spectrum are still some way from the sort of detailed routemap to provide a sense of direction and momentum which is needed. This is a complex problem and one that will need bold, deep, and sustained interventions to resolve. To meet both the interim 2010 and 2020 targets, we as a country must 'turn up the volume' on child poverty.

Children's life chances are strongly influenced by birth circumstances in terms of family resources of income, wealth and educational assets. However, in this country many people still remain unconvinced of the causes and extent of child poverty. Recent research shows that many people in the UK understand poverty in an absolute sense, such as those experiencing poverty in developing countries.<sup>23</sup> The prevalent assumption that poverty is caused by poor choices or personal failings was highlighted by a recent DWP Select Committee report.<sup>24</sup>

So what should be done? A successful approach must be firmly anchored in what we know about poverty. Many groups have a much higher risk of being in a low income family, including lone parents, large families, some ethnic groups including Bangladeshi, Pakistani and Black Caribbean families, and families living with disability. Ensuring that the range of support on offer is diverse

enough to meet varying needs will be crucial: targeted packages of support can make the most difference and make the best use of available resources. No one chooses to live in poverty, but existing on the lowest incomes is an isolating experience for individuals; creating a belief the 'system' has failed them. Families need to play their part, but the Government's side of the bargain must be based on a realistic analysis of effective support – backed by funding and leadership.

### **Increasing family income: A better balance between benefits and income support**

In this pamphlet, all of the political parties agree that family income directly affects outcomes for children, for better or worse. They all accept the measure of poverty as those living below 60% of median incomes. Low income determines poor living standards, limiting the choices families have and a child's prospects for the future. Addressing low income levels must therefore be a key, though not the sole, feature of any credible anti-poverty strategy.

The Government's strategy has relied on tax credits supplementing the incomes of the lowest earners. The Liberal Democrats caution against over-reliance on means testing, arguing that it leads to a complex system that can deter those who need it most. David Laws advocates higher universal benefits that have strong public buy-in and could have an immediate impact on poverty figures. The Conservatives focus attention on the 'couple penalty' in the tax credits system, which Michael Gove argues leaves many couples living apart out of financial necessity. These different policies reflect varying priorities between the parties, and 4Children believe that any credible incomes strategy must be based upon what works.

Investment in tax credits and benefits has, to this point, been a key driver in reducing child poverty, boosting the incomes of the poorest families. Yet evidence suggests ever-diminishing returns from further reform or investment of this kind. Those children already lifted out of poverty were the easiest to reach and so most likely to benefit from incremental rises in their family income. Moreover, the current tax and benefit system does not allow for relative upratings as average incomes rise, which they have done continually over recent years. Those living in poverty will fall even further behind if

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their income levels do not increase in line with the median income of the rest of society: policy makers must run to stand still.

In order to achieve this, 4Children has recommended a system for uprating benefit levels that is relative to average earnings, to ensure that the real value of benefits does not decline over time. We need a full review of the upratings formulae, which should seek to establish a system which keeps pace with earnings, and bases proposals for increments on a real evidence of adequacy. Without further investment in tax credits and benefits the 2010 target to halve child poverty, already off course, looks unlikely to be met. Research from the Institute for Fiscal Studies and the Joseph Rowntree Foundation has calculated that extra spending of £3.8 billion would be key to meeting the interim target<sup>25</sup> – after the recent Budget investments this figure is lower, but a still substantial £3 billion is required to keep progress on track.

The exact allocation of this investment, between benefits and tax credits, is contested between the parties. It is clear that a balance must be struck between providing universal support for everyone and targeting resources at those in the greatest need, without disincentivising families who support themselves through work. Policies that rely less on means testing and more on universal benefits could cost much more.<sup>26</sup>

Even universal benefits can be better targeted, for example child benefit – it is easy for parents to access and the universal entitlement ensures that it is popular with the public and recipients do not feel stigmatised. Increasing the value of child benefit in a targeted and affordable way will involve specific increases for the second, third and fourth child in a way that can address the needs of larger families that disproportionately suffer poverty. An alternative might be a higher entitlement for younger children, focusing support on the crucial early years of a child's life. In either case, targeting of resources under the current economic climate to areas of critical need can sharpen the impact of anti-poverty measures in cases in which they are most needed.

The current tax credit system has been created in a way that targets resources at need through means testing, but there remain concerns. A fuller impact has been undermined on the ground through the complexity of the system, which evidence suggests bewilders many low income parents and limits take-up. Estimates

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from the DWP and HM Revenue & Customs show that up to £14 billion a year in means tested benefits and tax credits are not being claimed by those who are entitled to them.<sup>27</sup> A lack of understanding of the applications process, combined with fear created by consequences of much-publicised overpayments, has left many families in need of support.<sup>28</sup> A simplified system that accounts and a renewed public campaign for take-up could boost the reach of the tax credits anti-poverty formula.

A key concern within any reforms will be to disincentivise work in a way that limits growth and income generation in the economy. However, there is evidence that what spending there is on welfare does have an important impact in selected cases on reducing burdens on children: research into the spending habits of low income families has shown that increases in benefit levels have been spent by parents largely to the benefit of their children. Undermining an exaggerated perception of those on welfare as being anti-work, there is strong evidence to suggest that low income parents try hard to protect their children from the effects of poverty, and increased resources have improved nutrition, clothing and family entertainment.<sup>29</sup>

The situation calls for strong political leadership and evidence-based policy solutions which balance the need for both universal support and public buy-in, with the urgency of targeting resources at those who need it most.

## Making work work

Unsurprisingly, all parties emphasise the importance of work in providing a route out of poverty. Maximising not only the potential for individuals to work, but also to stay in jobs that are decently paid and offer good conditions, is a key part of a long-term poverty reduction strategy. A good experience of work can lead not only to better levels of family income but can also raise self esteem, confidence and resilience – traits that are not only important in parents but are also essential qualities for children.

Any approach to moving the able but unemployed into work must help balance work and parenting. 4Children advocates an employment strategy that defines individuals not just as jobseekers

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but in the wider context of their family commitments, providing support for and recognition of wider needs through childcare and parent support. This was reinforced in the 2006 review for the DWP, *Delivering on Child Poverty: What would it take?*<sup>30</sup>, which highlighted the need for Welfare to Work programmes to be better tuned to the particular needs of parents.

Lone parents have particular challenges that can mean that decently paid work can be beyond their grasp: only 57% of lone parents are employed, compared to the 71% employment rate of married or cohabiting mothers.<sup>31</sup> It is important to recognise that, in too many cases, balancing work and lone parenting can be extremely challenging over the long term. The job entry rate for lone parents is as high as for couple parents, but evidence has shown that lone parents are almost twice as likely to leave their job due to family pressures or simply because of the difficult transition back into work.<sup>32</sup> Enforcing tighter restrictions on benefits for lone parents runs the risk of subjecting more lone parent families to poverty because the bedrock of support they need to get and keep jobs is missing. In-work mentoring schemes and support pilots can be introduced as part of a review of the role of Jobcentre Plus, to offer practical help through the early stages of transition whilst balancing family commitments. In making this a reality, the results of the Work-Related Activity Premium pilots offer a good model for encouraging pre-work preparation and support.

The transition into work can have serious financial penalties for parents before their income has stabilised. The loss of benefit entitlement – for example housing benefit, council tax benefit and free school meals – combined with costs such as travel can make the prospect of job entry, particularly on the minimum wage or working part time, a daunting one. A phased continuation of benefits to address initial costs and to promote financial planning can ease these burdens and increase retention rates. The early months of a new job are the most crucial to get right; as parents are entering into a new routine it is important they have the financial and practical support available to help them and their families establish a new and sustainable routine.

## Beating ‘in-work poverty’

Ensuring that work is ‘workable’ for parents is clearly important, but must be accompanied by measures to boost low pay. The fact that 57% of children in poverty live in a household with one or more adults in work indicates that work alone cannot be relied upon as an effective route out of poverty.<sup>33</sup> We must accompany welfare to work measures with those to ensure fair pay for ‘hardworking families’.

The minimum wage has achieved some success at stabilising the lowest incomes and providing a benchmark for pay. However, at a current rate of £5.52, and in the face of rising inflation and cost of living, the minimum wage provides support that does not effectively move families above the poverty line. A large number of families rely on one wage-earner, meaning that offsetting the burden becomes even more challenging. Specific measures to encourage the partners of single-earner families to access income-supporting measures and, where necessary, benefits, can complement the work-based approach. Part of this might involve making part-time work a more viable option.

In making this a reality, employers and the private sector have a responsibility alongside Government. Despite the success of tax credits in boosting the incomes of the poorest, the taxpayer should not be expected to subsidise inadequate levels of pay. The wider economic interest demands that balance be struck between increasing pay and keeping employment high through controlling pay costs for small businesses. However, high rewards at the top end of the job market suggests there is more potential to invest more in the lowest paid – particularly when, for many low paid workers, the cost of living is rising. The Low Pay Commission is well placed in delivering on a partnership between the Confederation of British Industry, trade unions and the Government to make this a reality.

Real job sustainability demands that people are moved into good work, not just any work. Realigned Jobcentre Plus targets that measure success not purely on job entry, but on job retention, can monitor performance in this respect. Currently the situation is that support for jobseekers largely falls away upon entering work. Providing continual guidance throughout the early stages of work,

whilst integrating support with wider policy on education and lifelong learning – through sandwich courses or vocational support – is essential. Without the right training and skills too many parents are left in what they perceive to be dead-end jobs, undermining the incentive to work at all.

## **More support for parents and children**

All parties recognise the importance of the crucial early years, and the need to support children as they grow up. One of the Government's priorities over the last ten years has been to roll out Sure Start across the country, with the aim of a Children's Centre in every community by 2010, and 12.5 hours (rising to 15) of free entitlement for all three and four year olds. There has also been a significant expansion of out of school provision for children up to the age of 14 – often in and around extended schools. The Liberal Democrats would prioritise access to childcare to those from workless households, and so extend tax credit support to those who do not currently receive it. The Conservatives make the case for priority investment even earlier, in the first months of a child's life, with intensive post-natal support to parents in the early stages after birth. But this help and support needs to extend up the age range if we are not to lose the positive impact of investment made in the early years. The level and extent of the childcare offer needs to be clarified. Childcare is expensive to provide and if more parents are to gain access, more help to reduce or take away those costs for parents on low income will be needed.

Ensuring access to childcare is important for two key reasons. First, high quality childcare can boost child outcomes and enhance development at the crucial early years of life, at its best serving to mitigate the effects of inherited disadvantage. Second, reliable childcare can support lone parents and dual earning couples, which is beneficial to families themselves and contributes to a responsive and equitable labour market.<sup>34</sup> The 2006 Childcare Act for the first time enshrined the right to access such support for all families, providing a duty on local authorities to use early childhood services to improve the outcomes of all children under five and particularly the most disadvantaged, whilst also securing sufficient childcare throughout childhood to enable parents to undertake work or training.<sup>35</sup>

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However, the Government's vision of good quality, flexible and affordable childcare remains too far from becoming a reality for some. Evidence suggests particular groups who are more prone to child poverty are less likely to access childcare – including Black and minority ethnic families who may cite cultural barriers and affordability, and families with disabled children who have more complex needs.<sup>36</sup> Childcare for older children is scarce, calculated by 4Children to be as little as one place for every 200 children between the ages of 11 and 14.<sup>37</sup> Further moves to ensure parents can combine work and family life should build on the success of the right to request flexible working for parents of young children by extending this right to all parents with children over the age of six.

The need for flexibility of childcare is strongly linked to the issues around welfare to work: much care provision is still offered on a 9am–5pm basis, whilst parents who work atypical hours can often struggle to find support that suits their particular needs. Families still rely heavily on piecing together formal and informal childcare on an ad hoc basis. There is scope to explore further how Government might support informal childcare, which can be a safe and appealing option for some parents, particularly in groups with strong kinship connections to the extended family, for example amongst some ethnic groups. Ensuring a diverse range of childcare for all age ranges, and across a variety of settings including extended schools, whilst providing a full menu of activities, can enhance a child's experience and promote development. There are particular problem areas that are currently inadequately addressed by provision: school holidays remain a difficult period for many parents, and much provision is not sufficiently flexible and of a quality to suit children with some disabilities or special needs.

But most importantly, the key message from many parents is that the price of childcare is too high for them to use it. Evidence shows that take up of early years childcare for three and four year olds is nearly 100% when there is free entitlement. Anecdotal evidence shows that some parents don't think that childcare is for them, and that they lead too chaotic lives to plan enough for the childcare element of the child tax credit. There is an urgent need for childcare and positive activities for all children 0–14 years old. Creating a 'childcare guarantee' of this nature would ensure widespread popular buy-in to the policy, combined with effective support for all who need it.

Better resourced early years can provide a head start for all children, with evidence pointing towards a disproportionate effect on those living in poverty: it can encourage social, emotional and linguistic development, whilst giving children an easier transition into primary school.<sup>38</sup> The expansion of Sure Start Children's Centres is delivering good results in parenting and social development amongst families.<sup>39</sup> The challenge now is to ensure that those who need support the most are getting it – families with complex needs, where working opportunities may be sporadic, for example due to mental health problems or physical disabilities, require tailored support.

## Families and the poverty premium

One of the greatest injustices is that being poor can actually cost families more. A so-called 'poverty premium' refers to the extra costs and inflexibility of payment options associated with being on a tight budget. Unable to make large, one-off payments, poorer families are more likely to buy goods on credit, making more frequent payments that incur higher levels of interest. The peace of mind of pre-payment for home energy is a more expensive payment option than direct debit, and those with poor credit ratings who need a lump sum will often find the only option is a high-interest loan.<sup>40</sup> Poorer families are less likely to be able to take advantage of bulk buying deals in supermarkets, and may live in areas without a cheap supermarket close by or the transport to get to one. These extra costs can cost up to £1,000 extra a year.<sup>41</sup> This means that we need to think not just about what goes into the pockets of the poorest, but what comes out.

Financial planning and management of personal finances is also an important dimension in which families living on a tight budget face inequalities, being both less likely to save and more likely to be in debt. Evidence has shown that 42% of those in poverty were significantly behind with bill repayments or credit commitments in the previous year, compared to only 4% amongst the non-poor.<sup>42</sup> Meanwhile three-quarters of individuals in poverty find themselves unable to make minimal regular savings of £10 a month, compared to 7% of those who are not poor.<sup>43</sup> Those in poverty are also more vulnerable to income shocks – sudden unexpected drops in income due to unemployment or illness, or shortages in funds caused by

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the need for a large one-off payment such as household goods or repairs.

The Financial Capability Baseline Survey conducted by the FSA found that a significant number of families are managing on the edge of their finances – meaning that any sudden change to their circumstances could tip them into financial difficulties. Approximately 2 million households are constantly struggling to keep up with commitments, and it is this proportion of the population who will be less able to cope with the effects of any large scale economic slowdown.<sup>44</sup> The survey also found that 37% of pre-retired people have not made any pension provision additional to the state pension, and 70% of people have made no personal provision to cover an unexpected drop in income.

Clearly, those who have more money at their disposal will be better placed to meet their financial commitments and have less impetus to develop money management skills. The FSA has found that those on lower incomes are more likely to keep track of their money than those on higher incomes<sup>45</sup>, because of the need to budget more intensively. Yet there is an urgent need for those on the lowest incomes to have more of a buffer against income shocks: families who have the greatest demands placed on their finances, proportionately, are the ones who need to be the best equipped to cope with them.

Many people on or just above the poverty line, particularly those in the younger age ranges who face a more demanding financial management environment than older generations, need to be better equipped to cope with changes in their financial circumstances. Widening access to affordable credit and mainstream financial services for those on the lowest incomes is a crucial step. But this must be complemented by measures to increase individuals' financial literacy and awareness of options, including repayment options. The FSA has recommended that these need to start young, achieved in part through financial education in schools, but additionally giving parents access to guidance about financial security and planning for the future. For the particularly vulnerable, who are often excluded from mainstream services, there is an urgent need to increase engagement and access to financial resources and advice.<sup>46</sup>

## Tackling the educational poverty gap

Each of the parties place a priority on investment in and reform of the education system, to boost achievement for all children and to raise aspirations in the longer term. All point out the urgent need to address the widening gap between the performance of the poorest pupils compared to the richest. The Government has committed to a long-term programme of investment in the education system to bring state school spending per pupil in line with that of private schools. The Conservatives point out the need to support effective and proven teaching methods, particularly with regard to raising literacy standards. The Liberal Democrats advocate a targeted measure to boost the funding for the poorest pupils and incentivise schools to take on hard to help pupils.

However, beyond funding there is a culture change which is vital if we are to enable schools to maximise their role in narrowing the gap. Education and wider support for development is critical to improve the prospects of children living in poverty. Compelling evidence has shown that by the age of three, children from families that are disadvantaged in terms of income and education have already fallen behind their peers.<sup>47</sup> Illustrating the self-sustaining nature of poverty, by the age of ten, children born into advantaged families but who by two years old were exhibiting low cognitive ability, outperform children who had high cognitive ability at age two and come from disadvantaged backgrounds.<sup>48</sup>

Academic attainment is a strong indicator of success in later life.<sup>49</sup> There remains a significant gap in the achievement of children from low income backgrounds compared to those from higher income families. Children of parents in professional or managerial occupations are more than twice as likely to gain five good GCSEs as children from manual working class families. Part of this will involve boosting the performance of state schools in deprived areas by increasing investment in schooling to support practices already deployed in the private sector: smaller class sizes, a broader range of after school activities, greater fieldwork opportunities, more experienced staff and greater support for special needs.<sup>50</sup> However, much more needs to be done to sharpen the knowledge about children as learners and the support we offer those suffering disadvantage. From robust and effective baseline assessment as children enter school to ongoing monitoring,

mentoring and intervention if progress and potential is not being achieved, the potential of a more personalised approach to learning – identifying and offering additional support to those children from disadvantaged backgrounds who need it most – is enormous.

And parents' involvement in their children's learning is critical for a child's education. As part of this, schools can be encouraged to work beyond professional and institutional boundaries, engaging with parents to establish an ongoing partnership focused around the interests of the child. Breaking down cost barriers associated with schooling for low-income families is also key in enabling children to make the most of their experience – this means providing help, where necessary, with school uniforms, text books, trips and activities, including those on offer in extended schools.

Mentors and family liaison workers can play an important role here, encouraging and developing parental capability and responsibility, while also focusing support on crucial problem areas like literacy or special needs support.

## Conclusion

All three political parties have committed to, at minimum, an aspiration to end child poverty. And whilst the range of policies and degrees of commitment proposed will need deepening, this is an important opportunity for the policy debate to shift up a gear. With an election in the next two years, this needs to translate into each Party's manifesto, including an explicit commitment to end child poverty, underpinned by firm policy proposals to achieve this.

There is little doubt that immediate and ongoing substantial injections of cash are needed. The drive to eradicate child poverty needs short-term investment to boost the lowest incomes and longer-term investment in life chances – particularly in education and work support. The immediate priority for the Government to meet the 2010 target to halve child poverty (from the 1999 baseline) can be met only through substantial investment. The recent Budget in March 2008 contained welcome commitments to uprate child benefit to £20 per week, disregard child benefit in calculating income for housing and council tax benefit, and increase the child element of the child tax credit by £50 a year. It is

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estimated that this will raise 250,000 children out of child poverty when the measures kick in from April 2009, but at a cost of £1 billion the impact will only have a quarter of the effect needed to be on track for 2010.

Uprating benefits and tax credits, potentially with greater entitlements for the second, third or fourth child, or upending entitlement to younger children, would create significant gains. This will enable immediate improvements in conditions for families by enabling them to use extra money for necessities, improved diets and greater access to activities. Increased investment into targeted tax credits and specific benefits will not be cheap. However, the potential economic returns to society over the longer term are not only substantial but can far outweigh initial costs. Overall reductions in remedial service spending, including funding for health, police and social services, can account for savings on public spending through front-ending investment in targeted measures to prevent poverty. Moreover, wider knock-on costs to society in lost tax revenue potential, reduced labour market potential and reduced high street spending have been estimated at £10 billion for just 16–18 year olds alone who are not in education, employment or training. Eradicating child poverty is not only a moral duty – there is also a clear long-term economic case for investment.

However, ending child poverty will need more than just spending money. In the longer term, reform must focus on wider and more subtle support measures that can be brought by fair welfare to work policies emphasising sustainability, progression and fair pay. To break intergenerational cycles of poverty, high quality childcare and personalised education can level out the potential of poorer children with more affluent counterparts whilst supporting parents in sustaining employment. Wider family and community support, funded and coordinated nationally, and driven forward by local authorities who understand local need, can bring services together, coordinate support and reach out to the most vulnerable who are in need of further support.

Areas of consensus between the three main parties, including around the need for urgent action in meeting the 2020 deadline, creates a clear starting point for radical new measures to make the elimination of child poverty a reality in 21<sup>st</sup> century Britain. This is the time to 'turn up the volume' to make ending child poverty a priority for us all.

## Putting the parties to the test

Ending child poverty will require courage and determination, from the doorstep canvasser to the Palace of Westminster. Our demand must be for a commitment to bring child poverty to an end. Across all parties, ending child poverty must be a priority.

To achieve this level of commitment and ensure delivery, 4Children is proposing that a new high profile Independent Commission is established to act as a powerhouse for change. The Commission would be headed up by a strong, well identified public figure who would rise above political concerns to shine a spotlight on the needs of poor children, scrutinize and report on progress towards targets, and highlight areas where further intervention is needed. This symbolic and highly visible body would be a tracker to change, with the standing and strength to keep momentum towards the 2020 target.

The Commission would help to shape the development of new policy and to ensure that the voices of the poorest are heard. Beyond this, it would also review and make recommendations for changes needed to benefits and tax credits.

**4Children believes that in delivery, a number of crucial interventions are needed without which real change will not be possible. A commitment to these interventions is needed from all political parties. In judging the robustness of proposals, the following section details the five tests we should apply.**

## Five end child poverty tests

**Test 1: Immediate investment in increasing tax credits and benefits as a route to meeting the 2010 target**

To end child poverty, Government must invest an immediate £3 billion in tax credits and benefits which will be urgently needed to reach the interim 2010 target – followed up by £1 billion per year to 2020 to have a significant impact on the incomes of the poorest.

To reap the biggest rewards, resources must be targeted at those most in need. This can be done in a number of ways. An extension of child benefit to favour second or third children will support larger families at greater risk of poverty. Alternatively, tax credits can be upended to favour younger children, ensuring extra investment in the crucial early years that can help to boost early indicators. A balance between universality and targeted support for those who need it most favour a combination of the popular child benefit, which has almost 100% take-up rates, and the more controversial child tax credits which, although they have lower take-up rates, have a greater capacity to boost outcomes of the poorest.

One way of doing this will be to increase the working tax credit for couple families by a third to £91.31 a week, which would better reflect the higher poverty line for couples, who currently have the same entitlement as lone parents. This would cost £1.6 billion, benefiting 1.6 million families and lifting 200,000 out of poverty.<sup>51</sup> Ensuring the impact of child benefit will also be important – it has been allowed to decline in relation to average earnings in recent decades. If it was brought up to the same proportion of average earnings as it was in 1979, it would be worth over £5 a week more.<sup>52</sup>

The combined value of child tax credit and child benefit should be uprated at least in line with the fastest growing of either prices or earnings.

**Test 2: Support parents into decent and sustainable jobs**

Supporting parents into work is the surest route from poverty in the long term for most families. Many families are trapped in a 'revolving door' cycle between low pay and worklessness. Measures to help parents off welfare and into work must therefore be tailored to overcome barriers to work and take account of parenting pressures.

Targets for Jobcentre Plus and agencies that deliver support commissioned by Government need to focus more widely on the quality of job placements, rather than the sheer number alone. Getting a job is only the start – support must not trail off upon job entry. Parents need guidance during the crucial first months into work, in particular lone parents who are re-adjusting to new routines. A phased continuation of benefits for the first few months of employment could help absorb the income shock of the sudden loss of financial support and help promote a sustainable transition to a regular wage. Parents will need continued advice about how their entitlements have adjusted, and what rights to request flexible working they have.

As parents move through their careers, access to confidential advice about upskilling and lifelong learning is essential if they are to progress. The Pathways to Work pilots which provide support into employment have shown positive results, and the Government has committed to rolling these out nationally. However, for these to succeed they must be backed by sufficient funding, and CPAG has estimated that £500 million is needed to achieve these ambitions.<sup>53</sup>

**Test 3: Offer an early years childcare and wider positive activity guarantee to all children 0–19 years old**

Childcare is essential to help parents work but also provides opportunities for children to learn and develop. As children grow up they need access to positive activities, play opportunities, and places

to go and things to do in the teenage years. But access to provision is crucial.

Building on the free entitlement to three and four year olds, the Government should offer an early years childcare guarantee for every parent to ensure that there is flexible and affordable childcare for all parents who need it. As children grow up, the commitment must continue to ensure access to positive activities, which are crucial to expand opportunity and enhance development throughout childhood. There is an urgent need to address the current complexities in the system in terms of both the offer and the funding, which is undermining take-up amongst parents whilst the most vulnerable groups face the most severe barriers. Childcare is too important to leave parents to find their own way through the complex system: creating a clear offer, matched by simple funding streams, will ensure that all families can take advantage of much needed support.

### **Test 4: Schools as drivers to narrow the gap in achievement**

We know that the Government's commitment to bring funding for state school pupils up to the level of private school pupils is welcome. However, raising the achievement levels of children in poverty requires a cultural change as well as a financial one. Schools need to be confident that they can demonstrate the impact they have in reducing the gap between the achievement of disadvantaged children and those who are not at a disadvantage.

Personalised assessment, mentoring and wider support through extended schools will be key. This will be achieved in part by a commitment to value added performance and ensuring that local authorities are engaged with schools at a local level. In addition, adopting increasingly personalised ways of learning, with intensive, targeted support for those who fall behind as soon as signs show, can minimise the chances of these developmental problems snowballing.

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## Turning up the volume on child poverty

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To stand the best chance, children need support as they develop, but key transition points such as between primary and secondary school may leave children more vulnerable and open to problem behaviour. Enhanced intervention at these times to support more disadvantaged children will be essential.

### **Test 5: Build a system of seamless support for parents and families**

Establishing a system of universal, responsive support for families is critical if parents are to be able to help their children flourish. Parenting is challenging and almost all parents feel they could do with some help at some time. For parents facing complex challenges and disadvantage, however, support can be vital – from general, practical advice to build confidence and discipline techniques, to more intensive, targeted support when problems occur, having access to joined up support close to home is crucial. Building the families' own capacity for self reliance will be key, which is why support to improve skills such as financial planning and capability will be a key element of the support needed.

Developing an integrated system of family services with effective signposting between settings can ensure that no one slips through gaps in support, and the right help is available when it's needed. The Children's Plan contains a commitment to support children at crucial transition stages – for this to succeed 4Children recommends that it is explicitly backed up with a commitment of £250 million in specific funding.

**Beyond these, ultimately we will all be judged on whether the commitment to eradicate child poverty was achieved. As such it is a responsibility upon us all and not just politicians to scrutinize their plans and vision and to keep the pressure on to turn words into action.**

## Financial capability and child poverty

### FSA

## Introduction

The Government's report *Ending child poverty: everybody's business*<sup>54</sup>, published alongside the Budget 2008, warned that low-income households can be impoverished further because of restricted access to financial services such as bank accounts, money advice and affordable credit. The importance of reducing this financial exclusion has been recognised, with the Government announcing a new Financial Inclusion Fund of £130 million. Improving financial capability is essential to complement the Government's work in tackling financial exclusion. While financial inclusion is about dealing with the most acute problems, financial capability deals with a more chronic and widespread condition.

Our financial capability work takes a twin-fold approach. We want to reach out to people at a point before they get into financial hardship, to try to prevent the cycle of deprivation and produce long-term improvement over time. And we also want to help those in poverty manage their money better and get them out of the daily stress and chaos of not being able to make ends meet. Financial capability is a vital step in the journey towards financial inclusion.

As the UK's financial watchdog, the Financial Services Authority – FSA – leads the National Strategy for Financial Capability in partnership with the Government, financial services industry, voluntary sector and consumer and education groups. Our vision is of better informed, educated and more confident citizens who are able to take greater responsibility for their financial affairs and play a more active role in the market for financial services.

Financial capability is not just about income. It's about making sure you have all the money you are entitled to and managing it in the most effective way for your situation. Being able to budget, saving where you can, and claiming all your benefit entitlements, can mean the difference between making ends meet and not having the money to pay for necessities. This directly affects children's health

## Turning up the volume on child poverty

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and wellbeing. And a financially stressed and worried parent has less time and energy for their child.

**Our work contributes to the economic wellbeing of adults and families by building their financial capability so that they are better able to take control of their finances.**

If people are better able to manage their money, they are less exposed to the pitfalls and problems that can occur when changes or events take place. They are also better equipped to deal with problems when they do occur.

Taking control, and feeling in control, is empowering and can enhance and help psychological wellbeing. Knowing the choices and opportunities available, together with the right support and encouragement, can provide the confidence needed to help people change their situation.

We work with partners across a number of sectors. We aim to help individuals and families at times when we can make the most difference and most effectively engage them. We work proactively on the ground to give people what they need, when they need it, working with people they trust and will listen to.

## A life-cycle approach

We work with children, young people and families, amongst others. We know that the young are the most important groups to reach if we want to achieve long-term, sustainable change. It is important for us to work in a preventative and proactive, rather than a reactive, way to achieve this. To do so, we work with children, with their parents, in schools and with trusted intermediaries.

We work with people at different stages in their lives – when a child is born, when that child is at school, and when they get into difficulties or reach the workplace. It is all too easy to fall into poverty through not being prepared or able to deal with the unexpected. We want to help people become better able to withstand unexpected shocks, to enable them to then stay in control of their finances and avoid the descent into poverty.

Children are most vulnerable to poverty at those stages of the family life-cycle where spending is high in relation to income. It's at these times in particular that people need to manage their budget effectively.

## Parents and families

Through our work with families, we are committed to helping parents take control of their finances right from the outset. So we begin to help parents with advice before a baby is even born. We have developed the Parent's Guide to Money<sup>55</sup> to provide expectant parents with the information they need to help them organise and review their finances in preparation for parenthood. Every expectant mother should receive a copy of the Guide over the months ahead.

We are reaching parents at a time when they are most receptive to financial guidance; when there are additional expenses to consider, when the balance of money coming in and going out is changing and when there is a positive stimulus to get their financial affairs sorted out. By helping parents before their children are born, we hope to encourage them to get their finances in order in preparation for the most critical time in a child's development. We are trying to help every parent to get themselves on a stable financial footing and secure their economic wellbeing to give their child and their family unit the best start in life.

The Parent's Guide to Money is a one-stop-shop, containing all the financial information and signposting that parents need to know about at this stage in their lives. It contains help with day-to-day budgeting, working out childcare costs, work options, guidance on different kinds of borrowing and what benefits you are entitled to – crucial particularly for families in, or at risk of, poverty.

We are working closely with the Government, local authorities and the health services to support embedding the Guide in their work. It is handed over to expectant parents by midwives and is fully supported by Children's Centres and Family Information Services and many in the community and voluntary sector. Those working closely with families see the Guide as an ideal tool to help families think about and discuss aspects of their finances with a trusted professional. The Guide can help start conversations, particularly

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with harder to reach families who are often most in need of help. We continue to work actively with all these partners to develop ways of integrating the Guide into their work.

As all three political parties highlight in their articles, work – for those that are able to do so – is one of the most sustainable routes out of poverty. The Parent's Guide helps parents to understand their options for returning to work. Through simplifying information on working tax credits – thereby potentially increasing uptake – and other support available, and by laying out childcare options, we can help parents make the right work-related choices for them.

The results of our initial pilot research<sup>56</sup> showed that 68% of those questioned had taken some form of 'hard' action after receiving the Guide, such as setting up a savings account, reducing debts or writing a will. Half of all parents found out about entitlements they didn't previously know about. The Government has identified that maximising take-up of tax credits is crucial to reducing child poverty.<sup>57</sup> If we can help make sure that parents claim their entitlements in full and also help them to budget and plan ahead to make ends meet, then we can help reduce the number of financial crises families suffer and help them to help themselves through unexpected crises they do suffer.

The interim findings of our ongoing large scale evaluation indicate that we are doing well at reaching those typically hard to reach groups – groups that 4Children highlight as having a much higher risk of being in low income families.<sup>58</sup> Of those that have participated in our research to date, 11% were under 20, 7% were Asian and 19% were single mothers. This compares to national figures of 7%, 6% and 17% respectively. Further, 15% of those taking part had household incomes below £10,000.

## Young people

The Government's commitment to financial capability in terms of Every Child Matters and the Children's Plan is illustrated in the new secondary curriculum. From September 2008 personal finance education will be an integral part of the economic wellbeing and financial capability programme of study. Teachers will need to incorporate financial capability into the personal, social health and economic element of the curriculum.

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Our work with schools is a major part of our programme. We recognise that a key element to the success of the new financial education programmes is to help teachers develop the competencies and confidence needed to deliver coherent financial education that benefits all young people. To do this we are supporting and funding the Personal Finance Education Group (pfeg) to deliver 'Learning Money Matters' (LMM). LMM provides schools with access to a range of services that will help schools and teachers to deliver personal finance education in the classroom. We are supporting similar organisations in Northern Ireland, Scotland and Wales.

We have always recognised that helping young people develop knowledge, skills and attitudes to managing money needs to start at school. As such, our work with schools has always been an integral and key component of our National Strategy. We need to give children the best start in life, at a time when they are young and willing and receptive to new ideas and learning about how to handle money. By intervening at an early stage we hope to break the cycle of deprivation, provide children with new role models and provide them with the information, support and confidence to pursue new opportunities.

Young people not in education, employment or training (NEET) are at a critical stage in their lives and likely to be managing their money for the first time. This group are often particularly disadvantaged, may lack family support and have to manage on a very low income, and often trying to do this with low levels of financial capability.

We have produced a training course and support programme for the intermediaries that work with NEET young people. This includes information and activities specifically designed to appeal to that group. We aim to help these young people begin to take control and start to manage their money and, through this, pick up skills and confidence to help them in other areas of their lives. One example of our NEET intermediaries work is with young offenders who may have missed out on vital financial education at school, who have to manage on a very small amount of money and who could easily slip into re-offending if they can't manage that money. Intermediaries working with young expectant parents, who are in the NEET group and often on the edges of poverty, can also use the Parent's Guide to Money as a tool. Again, our work can help to break the cycle of deprivation.

## Working with the most vulnerable

Our Partnership Development team work to embed financial capability in the non-profit sector. We reach some of the most vulnerable people who might otherwise find themselves excluded from the financial system. Amongst other things, we are working with single parents, one of the groups hardest hit by poverty. We have funded workshops on financial capability run by One Parent Families/Gingerbread, helping to further develop money management skills with those most vulnerable. And we always make it relevant and practical; the workshops focus on budgeting skills by helping parents work out how to build up a small pot of money and organise a special event for their child.

Of the poorest 10% of households in the UK by income, 51% live in social housing.<sup>59</sup> If households are already only just managing, a small change in their circumstances could mark the onset of real financial difficulties. For social housing residents, being unable to pay their rent means they could become homeless. People who work in the housing sector are ideally placed to help tenants learn good money management skills. For this reason we have funded a post at the Chartered Institute of Housing to help implement and build in good practice into the work of housing organisations across the UK. We have also worked with the National Housing Federation to adapt a financial capability publication to help housing sector staff teach financial capability to their tenants.

## Conclusion

For so many people, money, or lack of money, can be at the heart of strife, ill-health and poor life chances. Child poverty is a consequence of having too little money, but its effects can be magnified if the little available is not effectively managed. We seek to help people get the maximum support and benefits they are entitled to, to take control of the money they have and manage it better, breaking down some barriers to opportunity. The results may not be immediate, there are no silver bullets, but improving people's financial capability is one step on the road to helping people out of poverty, breaking the cycle of deprivation and improving their economic wellbeing. It could be a critical element in the challenge of meeting the 2020 target to eliminate child poverty.

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**4Children** has been shaping and influencing national policy for the past 25 years. The national children's charity strives to place every child's and parent's needs at the heart of the community through the development of innovative, integrated support for children from birth to teens – providing a comprehensive and joined up approach from 0–19.

Our work helps stimulate debate and brings fresh thinking to old problems. In addition, 4Children plays a vital role in delivering the new Children's Agenda from running our own children's centres, to our contribution as partners in supporting the delivery of the children's centres and extended school targets.

4Children believes that:

- Support needs to be joined up and universal, with targeted support where required
- Prevention is better than cure
- Support is needed throughout childhood: from 0–19.

**[www.4Children.org.uk](http://www.4Children.org.uk)**

The **Financial Service Authority** leads the £90 million National Strategy for Financial Capability, which links Government, financial services industry, voluntary sector and consumer and education groups in an aim to reach at least ten million people in five years from 2006. Financial capability is defined as being able to manage your money, keep track of your finances, plan ahead, make informed decisions about financial products, and stay up to date about financial matters.

Through this strategy, the FSA has set up several main UK-wide projects. These help school children, students in further and higher education, young people not in education, employment or training (NEET), new parents and employees. Visit **[www.fsa.gov.uk/financial\\_capability](http://www.fsa.gov.uk/financial_capability)**

So far the FSA estimates the Strategy has reached nearly 3 million people. The FSA is also now to lead a two-year pilot project to test delivery of the UK's first national money guidance service following an announcement by HM Treasury.

## Turning up the volume on child poverty

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The **Campaign to End Child Poverty** is a coalition of more than 110 organisations, including major children's, disability and other charities, faith groups, unions and schools, representing many thousands of people concerned about the unacceptably high levels of child poverty in the UK, and working together for a society free from child poverty. Join us to help make this a reality.

**[www.endchildpoverty.org.uk](http://www.endchildpoverty.org.uk)**



### **Addendum to page 35**

See sentence in bold text below:

But most importantly, the key message from many parents is that the price of childcare is too high for them to use it. Evidence shows that take up of early years childcare for three and four year olds is nearly 100% when there is free entitlement. Anecdotal evidence shows that some parents don't think that childcare is for them, and that they lead too chaotic lives to plan enough for the childcare element of the child tax credit. **There is an urgent need for childcare and positive activities for all children 0–14 years old.** Creating a 'childcare guarantee' of this nature would ensure widespread popular buy-in to the policy, combined with effective support for all who need it.

### **Addendum to page 42**

See text in bold below:

Test 3: Offer an early years childcare and wider positive activity guarantee to all children **0–19** years old





## Turning up the volume on child poverty

The consensus between the three main political parties concerning the urgency of the need to tackle child poverty offers communities in the UK an unprecedented opportunity. Labour, the Conservatives and the Liberal Democrats have all endorsed the aspiration to eradicate child poverty by 2020.

But consensus on the end goal is only the first step. The need to define an effective route map to realising the 2020 target has never been stronger. 4Children's pamphlet sets out key tests which need to be met if we are to turn this aspiration into a reality.

we support  child poverty

[www.4Children.org.uk](http://www.4Children.org.uk)