



## Child Poverty: an overview

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# Outline of what's to come

- Policy background, past and future
- Recent trends in child poverty
- What has driven the changes observed recently?
- Discussion of policy going forwards

# Policy background: previous governments

- Previous Labour government declared ambition to ‘eradicate’ child poverty by 2020
- Defined mostly (BHC) income-based targets
  - Relative low income: < 60% of median income
  - Absolute low income: < 60% of 1998-99 median
  - Combined relative low income and material deprivation: < 70% of median income, and ‘materially deprived’
- Aimed to halve them between 1998-99 and 2010-11
  - Interim target in 2004-05 for relative low income indicator (narrowly missed)

## Policy background: looking ahead

- 2010 Child Poverty Act, voted for by all 3 main UK parties:
  - Set extremely challenging income-based targets for 2020-21 (e.g. no more than 10% in relative low income)
  - Required publication of national child poverty strategies
- Government published 1st Child Poverty Strategy last year
  - Poverty is “about far more than income”, and defined wide range of other indicators
- Planned autumn consultation on broader measures

# Progress towards 2010-11 target: final verdict

	Relative low income		Absolute low income		Material deprivation and relative low income	
	%	Million	%	Million	%	Million
1998-99	26.1	3.4	26.1	3.4	20.8	2.6
2010-11	17.5	2.3	10.6	1.4	14.5	1.9
Change since 1998-99	-8.6	-1.1	-15.6	-2.1	-6.3	-0.7

Notes and source: see Figure 5.2 of *Living Standards, Poverty and Inequality in the UK: 2012*

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Missed target by...	n/a	0.6	n/a	-0.3	n/a	0.6
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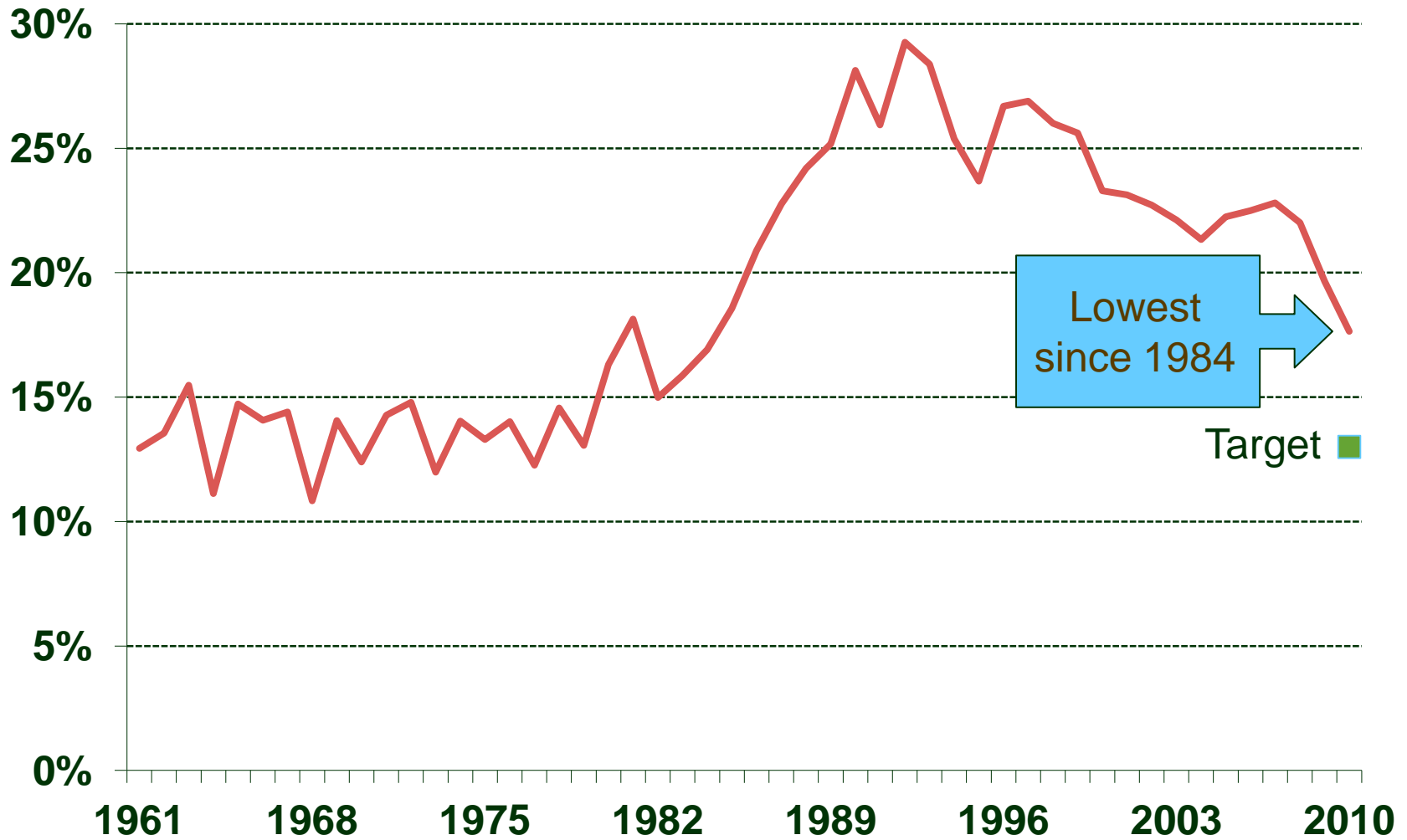
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2007-08	22.5	2.9	13.4	1.7	17.2	2.2
.....						
2010-11	17.5	2.3	10.6	1.4	14.5	1.9
Change since 1998-99	-8.6	-1.1	-15.6	-2.1	-6.3	-0.7
Original target	n/a	1.7	n/a	1.7	n/a	1.3
Shortfall	n/a	0.6	n/a	-0.3	n/a	0.6

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# Relative BHC child poverty rates since 1961



Notes: Poverty line is 60% of median income. Years up to and including 1992 are calendar years; thereafter, years refer to financial years. Incomes are measured before housing costs have been deducted.  
Source: Authors' calculations using Family Resources Survey and Family Expenditure Survey.

# Income poverty among children in 2010-11 (UK)

- Real incomes of low-income households with children changed little in 2010-11
- Overall median income fell by 3.1%
- Relative poverty fell by 300,000
- Absolute poverty unchanged
- Relative low income and material deprivation indicator fell

# Statistical drivers of changes in the government's child poverty indicators since 1998-99...

- Main ones include:
  - Fall in poverty risk for children of lone parents (particularly workless lone parents)
  - Fall in poverty risk for children in larger families (3 or more children)
  - Fall in poverty risk in families with young children
  - Fall in fraction of children in workless families

## ...and the causes of these changes?

- Parental employment patterns have played a role
- But effects of increases in fiscal redistribution towards low-income households with children dominate ...

# Growth in benefit entitlements compared to relative poverty line, for example families with children

	Couple, 3 children, no work	Lone parent, 1 child, no work	Lone parent, 1 child, part-time work	Change in BHC relative child poverty rate in UK
1999-00				
2000-01				
2001-02				
2002-03				
2003-04				
2004-05				
2005-06				
2006-07				
2007-08				
2008-09				
2009-10				
2010-11				

Notes: Ignores Housing Benefit, Council Tax Benefit and the value of free school meals. The working lone parent earns an amount that is below the personal income tax allowance and the primary threshold for National Insurance contributions. Source: Authors' calculations using TAXBEN, the IFS tax and benefit micro-simulation model.

# Growth in benefit entitlements compared to relative poverty line, for example families with children

	Couple, 3 children, no work	Lone parent, 1 child, no work	Lone parent, 1 child, part-time work	Change in BHC relative child poverty rate in UK
1999-00	+	+	+	
2000-01	+	+	+	
2001-02	+	+	+	
2002-03	+	-	+	
2003-04	+	+	+	
2004-05	+	+	+	
2005-06	-	-	-	
2006-07	-	-	-	
2007-08	-	-	-	
2008-09	+	+	+	
2009-10	+	+	+	
2010-11	+	+	+	

 Entitlements grew faster than relative poverty line (median income)

 Entitlements grew more slowly than relative poverty line (median income)

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1999-00	+	+	+	-
2000-01	+	+	+	-
2001-02	+	+	+	-
2002-03	+	-	+	-
2003-04	+	+	+	-
2004-05	+	+	+	-
2005-06	-	-	-	+
2006-07	-	-	-	+
2007-08	-	-	-	+
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## ...and the causes of these changes?

- Parental employment patterns have played a role
- But effects of increases in fiscal redistribution towards low-income households with children dominate ...
- Not surprising
  - Benefits/tax credits are major source of income for low-income households, on average
  - Government pursued ambitious targets over quite short periods: benefit changes tend to have immediate impacts on incomes

# Fiscal redistribution and child poverty under Labour

- Labour's direct tax and benefit policies clearly driven by child poverty targets
  - Increased annual entitlements to net state support by average of £4,000 for poorest half of households with children, compared to default (mostly price) indexation...
  - ...or by £1,165 compared to GDP-indexation
- In 2010-11, £18 billion more spent on child-contingent benefits/tax credits than if Labour had just applied default indexation rules (Browne and Phillips, 2010).

# The government's approach to child poverty

- Argued in Child Poverty Strategy that a focus merely on incomes would be too narrow
- And that policy should focus more on long-term causes
- Defined wide range of other indicators
  - e.g. educational participation; early health inequalities; teenage pregnancies; children in workless households
  - Similarities with indicators used by previous government
- Autumn consultation about defining a poverty measure which goes beyond income

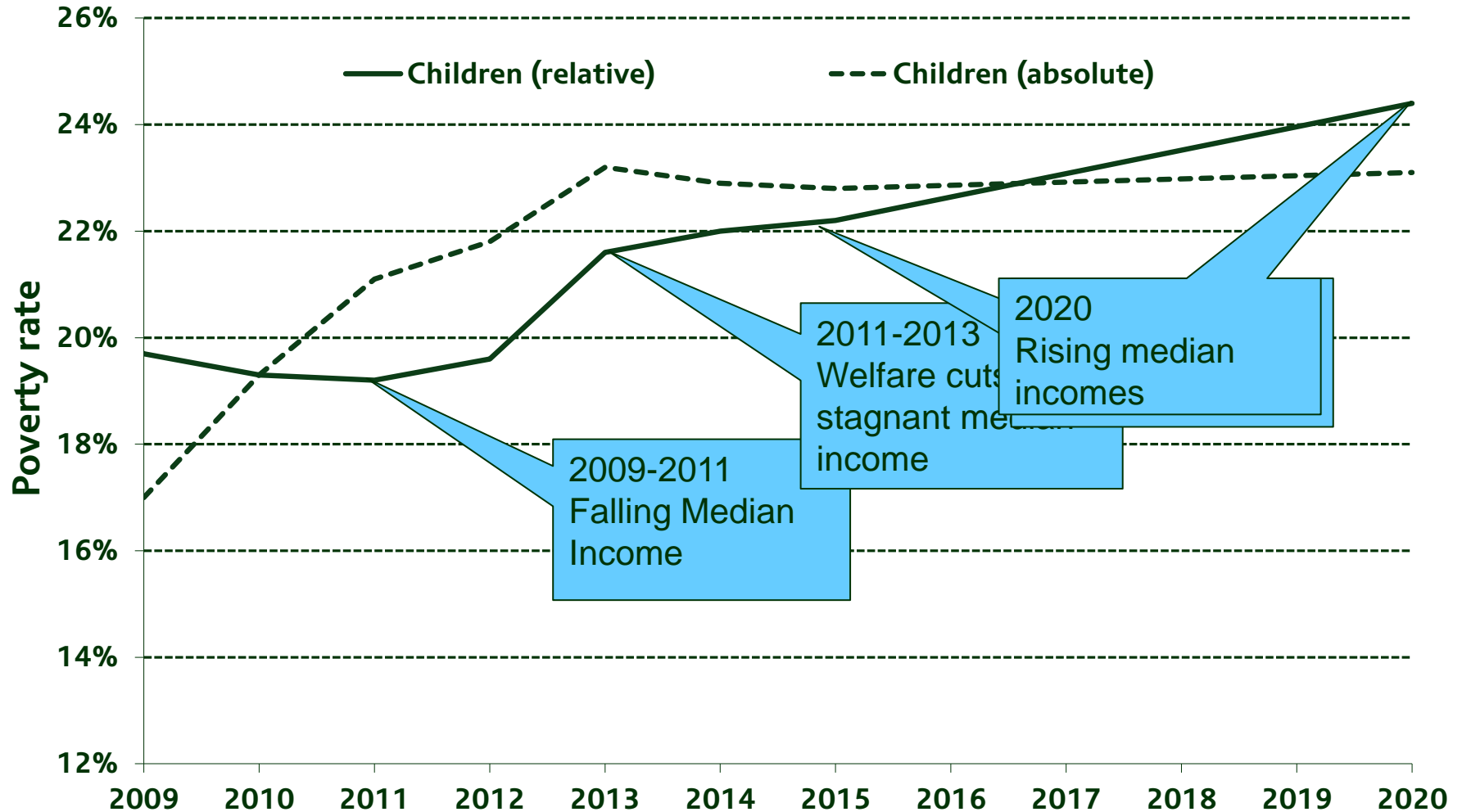
# The government's approach: brief assessment

- Income clearly not sole determinant of children's wellbeing
- Bound to be reasonable disagreement about :
  - Importance of income relative to other factors
  - Which things constitute, cause or are caused by poverty (or are just other things that we care about)
- But a broad focus is sensible
  
- Is there a hierarchy of indicators?
- How do they relate to one another?

# And the income-based targets... (1)

- We know from recent experience that income-based poverty measures highly sensitive to fiscal redistribution
  - Unsurprisingly given welfare cuts, IFS researchers forecast child income poverty to rise in coming years (absolute and relative)

# Poverty forecasts to 2020 under current policies



Notes: 2008 and 2009 figures are actual. Figures for 2016 to 2019 interpolations between forecasts for 2015 and 2020. Years refer to financial years. Incomes measured before housing costs have been deducted.

# And the income-based targets... (1)

- We know from recent experience that income-based poverty measures highly sensitive to fiscal redistribution
  - Unsurprisingly given welfare cuts, IFS researchers forecast child income poverty to rise in coming years (absolute and relative)
- Important tradeoffs:
  - Redistribution versus financial work incentives
  - A pound spent on benefits is a pound not spent on education, child health, deficit reduction, etc...
- Government has made clear that it thinks costs of much more redistribution in coming years would be too great



## And the income-based targets... (2)

- People will inevitably differ on whether government is right about fiscal redistribution
- But given the government's judgement, it is increasingly difficult to understand the role of the 2020-21 targets
- Focusing on indicators emphasised by government may well be powerful and cost-effective in long run
- But target year is only eight years away
  - Infeasible to achieve radical transformation of income distribution by these means *over that timescale*

# Conclusions

- Income poverty (both relative and absolute) among children has fallen substantially since 1998-99
  - But relative child poverty target missed
- This is mostly due to large increase in fiscal redistribution
  
- Current government has emphasised broad view of child poverty and a focus on long-term causes
  - Much of this sounds sensible, but timing of the 2020 targets is problematic in context of government's approach