

Ending child poverty

Inaugural lecture by Alan Marsh, delivered at the University of Westminster, 10 March 2004

I want to begin by making a point about political choice. I spent 1975 at the Institute for Social Research (ISR) at the University of Michigan, which meant that I lived near Detroit. I soon learned that my American colleagues viewed that city with appalled fascination. Once a charming French colonial outpost, it grew and sprawled into the economic powerhouse of the American economy, producing most of America's motorcars and much else besides. So a huge slice of the surplus value that drove the service economy of the rest of the United States arose from the industry of the people of Wayne County and its city: Detroit.

Detroit... with its city centre burned out six years earlier in the riots of 1969. At night, tumbleweed blew past the eyeless shells of public buildings. Surveys done by my ISR colleagues each year on samples of Detroit citizens showed:

- gaps of income inequality among them that might have embarrassed South American banana republics;
- local levels of infant mortality similar to some African countries;
- levels of literacy below some Asian countries.

The records of the sole public hospital for a million people showed in one quarter of 1975 the most commonly treated complication of pregnancy to be knife and gunshot wounds. There was a hint of public pride in the TV news announcement on New Year's Eve that the City had that night surpassed 1974's record total of 800 murders - a violent death rate per capita five times that of Belfast at the height of the Troubles. In the midst of this, four out of ten of Detroit's children lived in deep poverty.

This, then, was a political community that appeared to celebrate inequality; where public squalor and social breakdown were thought a small price for private riches; where the only thing dividing the two political parties was just how small should be the proportion of the nation's wealth allowed to pass through its public accounts; and where welfare was a pejorative term.

How different, I thought, from our own dear country, where, for example, the gap between the best-paid and least paid workers was historically at its narrowest in 1973. And by any income definition of poverty - and we shall see there are many of these to choose from - some five per cent but no more than 10 per cent of British children were said then to be in poverty.

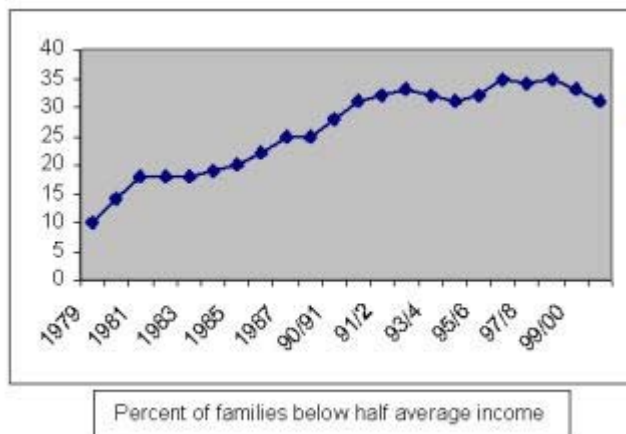
Yet 1975 had been a pretty awful year here, too, with runaway inflation, industrial failure, and a Labour government queuing for a loan from the World Bank. As the sociologist Chelley Halsey wrote in his book *Social Change in Britain*, '1975 marked the end of the post-war consensus'. You could almost hear the ominous crack.

From then on, public policy no longer had as its first aim the growth and improvement of welfare services and the redistribution of income and wealth. Instead priority was given to monetary restraint and the liberation of market-driven wealth-creating forces. The thing that the Labour Party was created for was made redundant, followed soon afterwards by almost half the manufacturing workforce. The electorate took the hint and from 1979 onwards the political authority of capital over labour that had been taken away during the War and severely rationed in the years following, was restored.

The consequences of this change were swift, dramatic, and well documented. Though not, I think, well understood or in many cases actually believed. Income inequality in Britain rose faster and for

longer than in any other OECD country except New Zealand. And this is to say nothing of the growth of inequalities of property and wealth. It affected families with children worse than other groups. Taking alone what economists mean by poverty: an income less than half that received by the average family. By this measure, the proportion of British children in poverty tripled.

Poor families more than trebled in the 20 years after 1979



It almost doubled in the first two years of that period. Don't let anyone tell you that political choices do not matter. This rise continued throughout a period when the average family grew 40 per cent better off in real terms, which will puzzle social historians of the future. By the year 2000, child poverty in Britain was the worst in all Europe, falling now to about fifth worst, bracketing us with the southern European countries. Typically in northern Europe these figures are in the low teens or, even, in single figures. In Finland it is three per cent.

Why did this happen?

- Following the reduction of the trades unions' bargaining power, and some profound changes in the skills asked by employers in the labour market, wage inequality grew so fast that in 25 years the price of the best educated labour rose by two-thirds [though I have difficulty in convincing some academic audiences of this] while the wages of the least skilled remained close to 1975 levels, all in real terms. More than in the recent past, those that worked for low wages could expect low wages in the future. Contrary to popular belief, occupational mobility in Britain slowed down.
- Recurrent levels of unemployment not seen since the 1930s returned. As with low wages, those unemployed for more than a few weeks could look forward to a lifetime of uncertainty. The low-pay/no-pay cycle came to impoverish at least a third of the workforce. Families polarised into no-earner households and dual earners. More than a fifth of children lived in households having no earning adult.
- Increases in benefit payments were pegged to price inflation rather than wage inflation. This can sound fair enough until you know that if the same had been done to state retirement pensions since their introduction in 1947, they would today be worth £25 a week.
- Rates of direct tax fell for the better off and the change of emphasis to indirect taxation released high and low after-tax incomes to drift further apart.
- Put simply, almost all the increases in our national wealth went to households that already had middle to higher incomes.

Why was this permitted? Why was there no greater outcry?

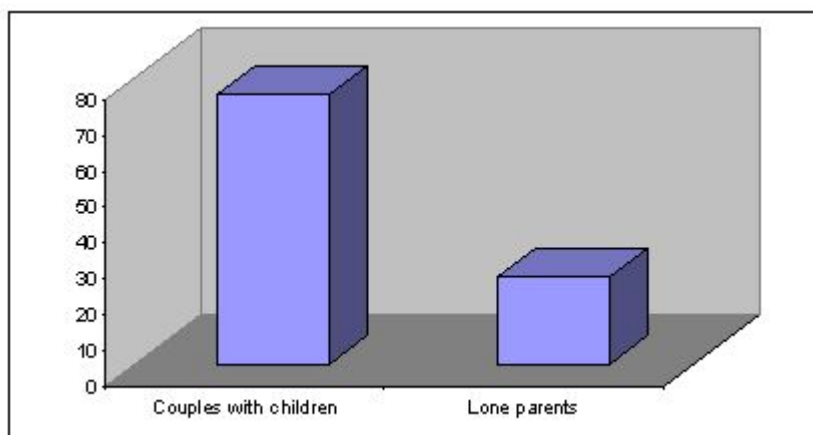
First, there was within Government a denial of poverty. The word was banned from official documents. The secretary of state for social security, Moore, declared it was '...the end of the line for

poverty'. The market would provide and the poor would share in the growing prosperity trickling down from higher income groups. Searching for an explanation of the apparent absence of political protest amid the growing inequality of some South American countries, the American political psychologist Phillip Converse pointed out that when you are stuck in a multilane traffic jam and you see other lanes beginning to move forward you cannot help but feel optimistic that it will be your turn soon. Only later do you realise you were in the wrong lane all the time.

But, for the most part, we did it because we wanted to do. The political psychology of a country proud of its welfare state inverted. Middle Britain of the 1980s - the Archbishop's 'Comfortable Britain' - had come to believe, for a while at least, that social justice was the enemy of the economic growth that was starting to provide for them so well. They found it easy to accept a widely encouraged view of a country's enterprise sapped by welfare scroungers. Palliative measures were seen as a backward step to tax-and-spend policies that had once brought us low. And so they set an electoral tax-tariff, which now seems to work out at less than 40 per cent of GDP, that no British political party hopeful of election could exceed in manifesto pledges about taxation.

In the midst of all these economic trends something else happened. Lone parent families grew from 500,000 in 1975 (a quarter of them widows) to 1.6 million today, only 5 per cent widows ie, from seven to 24 per cent of families. Just a quarter were single, never-partnered, lone parents. The rest were mostly women in their 30s and 40s parted from long-term relationships and marriages. The proportion among them with a paid job fell by 1990 to fewer than three in ten.

British families in 2001 (percent)



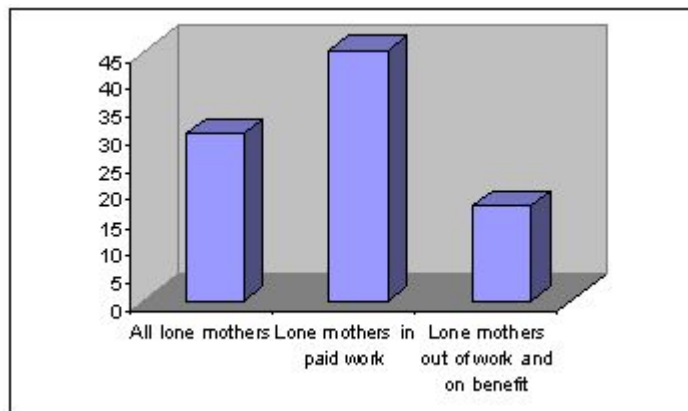
This had four main causes:

- Economic: the trends we have described so far - low pay, unemployment - pulled the economic linchpin from many working class families, allowing Hilary Land to speak of 'the demise of the male breadwinner'.
- Demographic: a large cohort of young adults were repeating a British trend favouring very young parenthood. This appears an Anglo-Saxon trait visible, too, in Australia and New Zealand.
- Social: the stigma attached to divorce and illegitimacy evaporated in a single generation.
- Changing relationships between men and women: we are living through a revolution in thought and behaviour every bit as significant as the Reformation. British women have developed a highly conditional view of British men. It is a view they are entitled to. For example, more than a quarter of lone parents say their last partner physically injured them. Perhaps British men are no more violent in this way than they were in the past. Perhaps less, even. But British women's tolerance of it has sunk near to zero, and why should it not?

But, unhappily, these changes between men and women severely disrupted the flow of income to

children. It is worth noting at this point how few lone parents receive child support payments from, what we've learned to call, non-resident parents, and how little of that goes to the majority who are still at home looking after their children for them. This is an additional cause of child poverty.

Percent of lone mothers (apparently) receiving child support payments in 2001



So, to summarise, in 25 years the once-homogenous ranks of the British lower working class broke up into a series of dispossessed groups - recent migrants, growing numbers of old people and faster growing numbers of disabled people, the chronically unemployed and lone parents and low-income families with children. All of them were competing for a dwindling social wage, living in shrinking islands of social accommodation, concentrated often in de-industrialised low-growth regions.

Every social and economic trend moved against their interests while policy either ignored such difficulties as '...a price worth paying...' or actively made things worse, as in the sale of the better council housing (a practice that continues) and withdrawing benefit from some of the most vulnerable groups such as young adults aged 16-18. Policy and services for families grew weakest in those places where families were weakest: as Titmus taught us, so often services for the poor are poor services and in the 80s and 90s they got a lot poorer. Our subjects this evening, the children of low-income families, were caught in the maw of these developments.

How much does all this really matter? If all that really happened was that a lot of British families got so rich that the shape of the income distribution changed, was anyone harmed? That is good, isn't it? Lots of Growth...more wealth....no more queuing for loans at the World Bank...

Work done by Steve Machin and others using the British cohort studies, and much other survey evidence, showed that it matters very much. Poor children are half as likely as others to survive their first year. An upbringing in poverty still blights children's chances of improvement as young adults in ways our education system has been powerless to combat. Incoming ministers in 1997 were visibly shocked by the class gap in educational achievement they inherited.

Children from poor families still do less well at school, are more likely to truant, and more likely to be excluded. They get poorer qualifications, or none, and are five times less likely to enter higher education than are children from professional backgrounds. This is getting worse, not better. They have poorer health and lower self-esteem.

Work with poor children by our friends at Loughborough University showed they 'learn to be poor' and accept their different-ness, and so accept a poverty of ambition at school and later. At Bath University, Tess Ridge's interviews with children showed especially clearly how adolescents from poor families, many who will have done quite well in primary school, feel a strong sense of social rejection from their secondary schools on the grounds of their appearance and their families' lack of resources to support them at school, and in wider educational and social activity. They seem

suddenly to recoil from school, their teachers lose their attention and never get it back.

As the millennium arrived, UNICEF reported that 47 million children in 'rich' countries still lived in families '...so poor that their health and well-being is at risk'. Four million of them lived in one of the very richest countries: this one. It is not an exaggeration, then, to say that the New Labour Government elected in 1997 faced a not-very-well-advertised national emergency. Their response was a better-advertised undertaking to end it.

The Prime Minister's pledge:

'Our historic aim, that ours is the first generation to end child poverty forever... It's a 20 year mission but I believe it can be done'

Tony Blair, Toynbee Hall, March 1999

I wondered at the time why so skilled a politician might offer such a hostage to fortune, but then realised at once that he will get at least 8 out of 10 for trying. But it means something profound. It means that the children who will not be in poverty after 2020 will be the children of the children who are in poverty now. ALL of today's poor children must become 'not poor' parents - or, I suppose, not become parents at all. An eight-year-old in a poor family today may well be a 23-year-old lone parent in 2020. She may have low paid work, or none. But she must not be in poverty. She must have an income above 60 per cent of the median and be able, as we shall see, to afford a full life for her and her children. Given what we know of the educational shortfalls of poor children in schools now, this will not be easy.

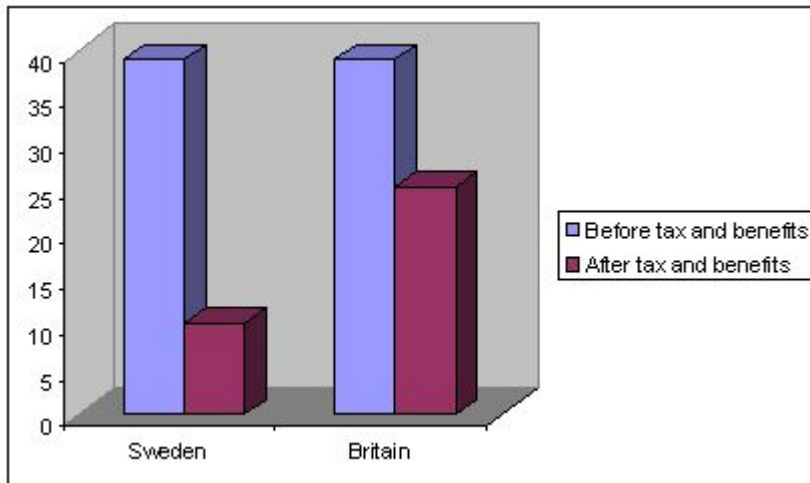
It is fair to ask, even now: Can this be done? The answer is 'Yes. It can'.

There are today wide variations in child poverty rates between countries at very similar levels of economic development. As Jonathan Bradshaw says, 'Child Poverty is not an inevitable result of global economic pressures or demographic transitions. Governments can and do take steps that are remarkably successful in counteracting child poverty.'

Income

Look for example at what a seriously progressive and politically well-supported tax and benefit system can do. There are a lot of rich people in Sweden too. Before tax and benefit transfers Swedes and Britons are equally unequal - they have the same 40 per cent of families with children below average income that we have. After tax and benefit transfers their figure sinks to 10 per cent, ours no lower than 25.

Tax and benefits matter to the percentage of children in poverty



It is worth stressing at this point that the tax and benefit system alone did not cause the rise in child poverty rates. Its mismanagement contributed to it so its better management will act on it favourably, as we can see already. But we have other reasons to be optimistic. Less unemployment, smaller cohorts, with a trend to later child-bearing. Our own longitudinal study of lone parents over ten years shows that those in the most disadvantaged positions can prosper given only small improvements in their family fortunes and their children prosper too.

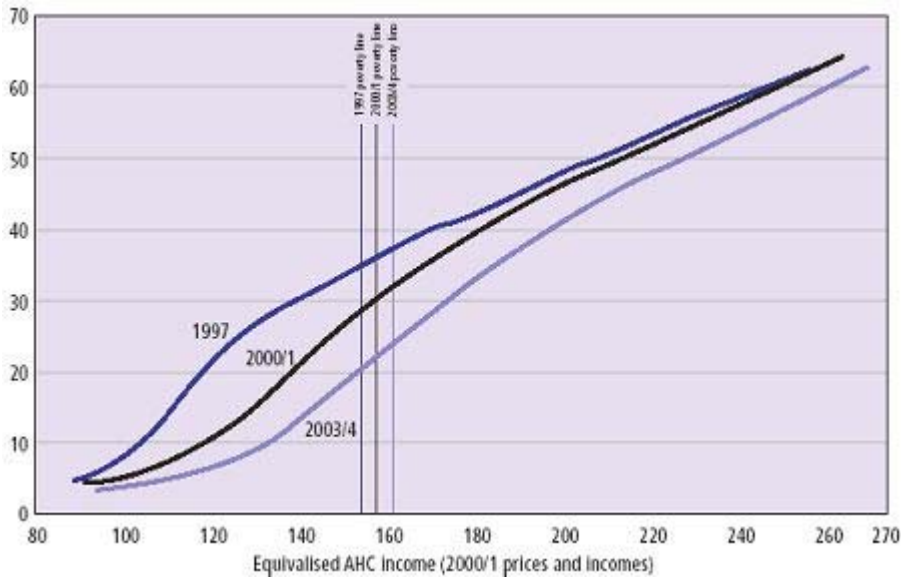
The Government's present policy levers on child poverty have been these:

- Increased benefits
- Income Support rates up 83 per cent for under 11s, extra £40 per week for out-of-work parents
- Welfare-to-work
- Making work pay (minimum wage, tax credits inc. childcare, benefit run-on into work, maintenance disregard)
- Active case management (New Deals, mandatory interviews, retention and advancement)
- New services (Sure Start, National Childcare Strategy, local regeneration schemes)
- New Assets: Child Trust Funds, Children's Fund

This combination of higher benefit rates and working tax credits to 'make work pay' put £6.5 billion a year of new money directly into low-and-moderate-income families, some of it to support the cost of childcare for working families, guaranteeing those with two children about £230 a week. There is now 50 per cent more going directly from government to families. Income Support for the youngest children increased by 83 per cent so that out of work families with two children are on average more than £40 week better off. This has been combined with active case management, New Deals and so on, leaving no-one in doubt that we now have a work-based family welfare policy, backed up by new funds and new services.

Let me give you a glimpse of the difficulty of the task of chasing the income-based measure of poverty, even taking the more sensible measure of 60 per cent of median incomes. They are likely to meet their target for 2005 of raising one quarter of children in poverty in 1999 over the threshold. But this will get harder. There is a limit to the amount of redistribution that can be targeted on poor children when so many other people remain in poverty too.

Chasing the dragon



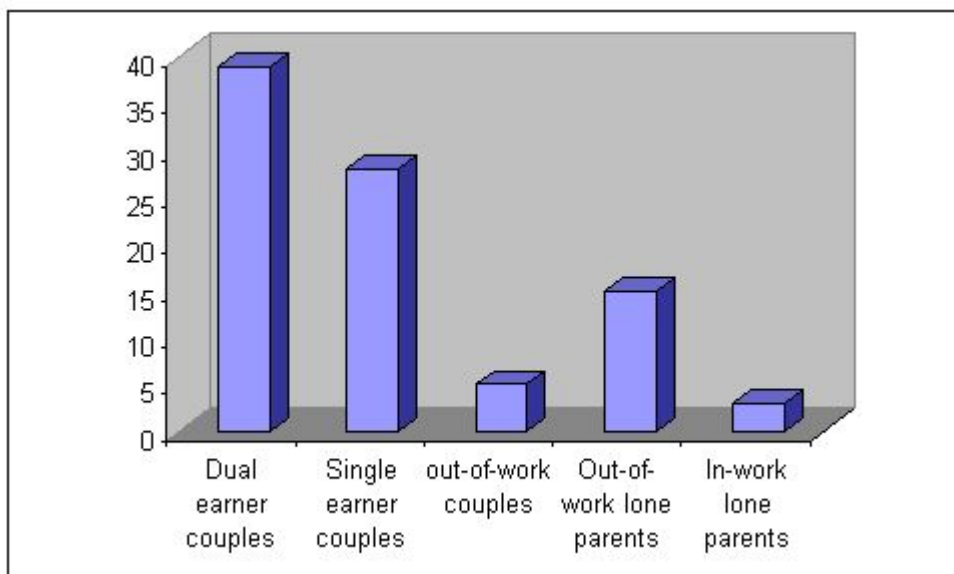
And after 2005, the going may get harder. As the 60% of median value creep upwards, so we will be continually trying to catch up and place the whole of the tail of the distribution in front of the arrow.

Note too that couples with children are actually a bit better-off on this measure than the average household. (21 per cent in poverty compared to 23 per cent. It is lone parents who stand out with 53 per cent of them below 60 per cent of the median income) The major point is that if anything is going to sweep all families out of this measure of poverty, it is going to be part of an overall strategy that will lift up everyone else too. The latest Rowntree report on combating disadvantage tells us that the incomes of the bottom 10th will have to rise three times faster than the 'middle-and better-off' (ie, the top 60 per cent) every year for 20 years.

This may also create problems of equity. If we rely solely of the tax and benefit system to redistribute income a child will have to get more than adults receive on basic benefits. And anyway, only a fraction of child poverty was directly caused by changes in the tax and benefit system, so we cannot look to it to provide all the answers.

Work

So will work work? This is how British families are placed now:



Note how small the traditional one-earner family has become. Nearly all fathers are in work. But not all working couples are out of poverty. For that, many must become two earner couples. So, together with the lone parents, nearly all the new work that has to be taken up, that will be the main force that drags children above the poverty line, will be new women's work. Most of these jobless women have very young children.

This suggests three problems:

There is a lot of disability among out-of-work couples: two-thirds have some disability and 60 per cent of these get benefits for disabled people

Getting 70 per cent of lone parents into proper jobs will be tough: there have been increases in lone parents rates of work: 29 per cent in 1991, 46 per cent in 2001. About 120,000 children have been raised above the poverty line by recent increases in lone parents employment. About half of recent rises are traceable to policy, especially the ability to keep child support payments in work (but still get Tax Credits), pay for childcare and still work quite short hours. But this is also due to improvements in the economy, more flexible short hours jobs, and an ageing of the lone parent population, so fewer have very young children.

But all of this has occurred during a time when the numbers of lone parents continued to rise, so although we have more in work, we still have the same number living on Income Support as we had in 1992, which is a bit discouraging. If lone parenthood continues to rise at the mean rate since 1980, we may still have the same number of children in lone parent families in poverty in 2010, even if 70 per cent of their mothers work. And for this to happen anyway, either 70 per cent of LPs with the youngest children will have to work, or 100% of those with older. Neither is likely without a revolution in the availability of childcare, the availability of convenient and reasonably well-paid jobs, and a thoroughgoing change of attitude among large numbers of out-of-work lone parents who prefer to remain at home with their children while they are very young.

There may also be problems of job supply since half of lone parents live in most deprived one fifth of wards.

Hardship

Let me turn now to another way of looking at all this and at the same time show you a little of the work we do at PSI. So far, we have considered what economists mean by poverty, which in developed countries is mainly about inequality. We turn now to what the rest of us mean by poverty, which we can call hardship.

In the design of this work we made this distinction between poverty and hardship. This may sound like one of those distinctions that only social scientists would want to make. Hardship is the real daily outcome of persistent poverty. We wanted first to find out if getting into work and getting extra money from the Government in work improved families living standards as well as addressing measures of inequality. These are some examples of our measures:

housing

- Two or more problems with housing, is unable to afford repairs if home owner
- Lives in overcrowded accommodation
- Cannot afford to keep their home warm

Financial problems

- Has no bank account and reports two or more problem debts

- Worries about money almost all the time and runs out of money most weeks

Deprivation

Not able to afford:

- Food
- Clothing
- Consumer durables
- Social participation

It is a very conservative scale, quite deliberately designed to distinguish between the poor and the poorest. Only 8 per cent of families were in severe hardship in 2001. On the other hand, 22 per cent experienced some hardship, including going without things that everyone agrees children should not go without.

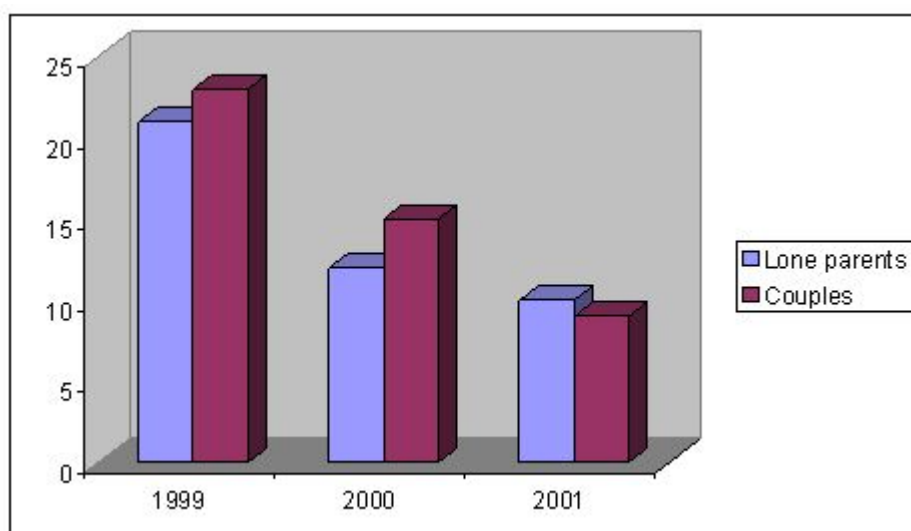
This provides us with a powerful research tool, it shows how hardship is concentrated among low income families, in deprived areas, among lone parents (six times more likely to be in severe hardship than couples are), among ethnic minorities, especially Pakistani and Bangladeshi families, and among larger families (half of poor children have more than one sibling).

This measure of hardship can show changes over time: hardship rose among both working and out-of-work families in the period 1991-99. This measure can show the effects of recent changes: following the increases in benefit and tax credit rates, severe hardship among in-work families almost vanished in two years (1999-2001), and halved for out of work families in the same period.

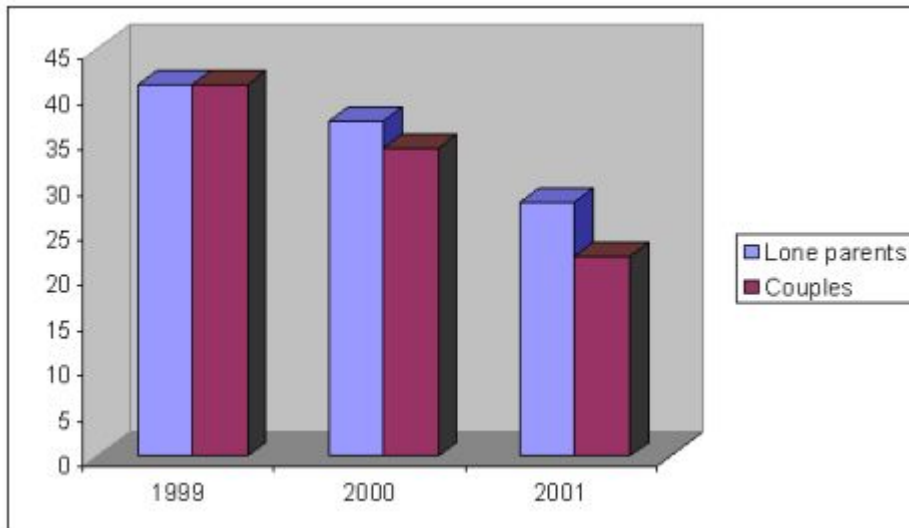
The effects on hardship of recent changes in benefits and tax credits:

The percentage in severe hardship (all families in 2001 = eight per cent)

Among working families getting tax credits



Among out-of-work families getting Income Support:



And it shows the effects of entering work. Among families out of work in 1999 and in work in 2001, severe hardship falls from 30 per cent to 10 per cent. And it pinpoints where the improvements occurred: they bought better food, clothes, had less debt, more heating and so on. They did not spend the money elsewhere.

New measures

December 2003: revised child poverty measures:

- Absolute income poverty (£210 per week)
- Relative income poverty (below 60% of median)
- Combined material deprivation and relative income poverty

Change in child poverty when all three indicators moving in the same direction

The new official 'deprivation' measures includes a list of social participation needs:

- Separate bedrooms for children (10+) of different genders
- Family holiday away from home once a year
- Celebrations on special occasions
- Pre-school child attends nursery/play group weekly
- School trip once a term
- Swimming once a month
- Friends round for tea/snack once a fortnight
- Leisure equipment (e.g., bicycle)
- Hobby/leisure activity

It is good they are there. This is supported by Tess Ridge's work about their importance. Perhaps children should have access to their Child Trust Fund at 13 rather than 18 so they might better afford them independently. Also note that a lot of these things and activities attract VAT (eg, bicycles) But my main concern about the use of these measures rather than basic measures is that they are not a politically appropriate response to the political imperative: The lack of social participation like swimming does not have the same moral force as children going without the basics such as food and clothes. The theory is that social participation is taken care of, so must be the basics, but the evidence is uncertain.

And before we are too carried away by success - real, though it is - we still have 2.2 million children on Income Support. Of these:

- 350,000 don't have a main meal every day
- 370,000 don't have fresh fruit or vegetables 'most days'
- 240,000 have no weatherproof coat
- 550,000 don't have 2 pairs of all-weather shoes
- 920,000 wear used, not new, clothing

because their parents can't afford it.

What is to be done?

In summary, these measures seem to me to offer most promise, partly because government thinking seems already to favour some of them and the government is actively pursuing others, but not all of them of course:

- Return to a properly progressive scale of direct taxation
- Redistribute the cash as directly as possible to children, especially to large and out-of-work families
- Get more lone parents and younger mothers into work
 - Revolutionise childcare
 - Further strengthen women in the labour market
 - Equalise work and care between parents, even if they are
 - apart
- Help more disabled parents work
- Set up a multi-ethnic taskforce to assist migrant parents
- Slow down entry to lone parenthood
 - Education
 - Stop men hitting women
 - Find ways to support young cohabitees better
- Help poor parents give up smoking
- Increase the flow of child support payments
- Continue to strengthen child services across government

And in more detail

1. **Reintroduce a properly progressive scale of direct taxation.**
The electorate has shown some resilience in face of some recent tax rises, especially hypothecated to health in National Insurance contributions.
2. **Redistribute these contributions as directly as possible**
Raise Child Tax Credit by at least £5 per week per child, at a cost of £1.7b:
Trigger take-up of WTC by better electronic intervention through employer,
Do not worry about incentive issues - they are a myth put about by economists
Continue to build child-centred assets in poor families: child trust funds - give them the money at 13 not 18
3. Get more lone parents and younger non-working mothers into work
Revolutionise childcare services - £10b a year - The National Childcare Strategy too is market-based and may be fragile over time. Scandinavians spent 4-6 times more as a percentage of GDP
Continue to make paid work more family-friendly, ease pressure on fathers' working hours. Coach them to negotiate improved pay and conditions - after all it won't be long before they are no longer parents anyway and they'll have to look after themselves, if they can
Continue to strengthen women's position in the labour market. If you've got a job when you become a lone parent, then everyone sees the point of keeping you in it.
Strengthen trade unions widened family role - recruit non-working women.
Help more disabled parents work: moving disabled people nearer the labour market is the

Government's next big push in welfare-to-work

Support single pregnant women much better. One in 6 babies are born to mothers on IS -- they are 50% more likely to be low birth weight babies

4. **Slow down entry to lone parenthood**

One quarter are direct entry lone parents. If this can be reduced to more typical European levels, this will make a substantial impact on child poverty

Keep more of them in education (Education Maintenance grant)

Stop men hitting women: domestic violence remains high and it is a major cause of entry to lone parenthood by mothers who will not put up with it or allow their children to be exposed to it

Help young cohabiting couples more (doubled 11-21% in 9 years) fracturing of multi-generational support in child rearing. The Children's Fund and the (very small) Parenting Fund are promising starts

5. **Do more to help poor parents stop smoking**

this will impact directly on hardship

6. **Make more non-resident parents pay child support: change the culture**

Pay lone parents directly a minimum extra amount

Take a very long-term approach to recovery (cf. student loans, reduce their tax code for life)

And make the child support disregard against income support £15 a week per child (please)!

7. **Mainstream child welfare policies across government, with stronger services:**

extend Sure Start, multiply children's centres, insist on a national audit of all policies for their contribution to reducing child poverty.

A national agreement

But to end as I began, political choices matter. It really is amazing what can be done if everyone wants it to be done. Don't let anyone tell you that very large radical change cannot happen because they can and they do. The next step must be to turn the prime minister's pledge and the government's resolve into a national consensus. Charles Lamb said, 'One of life's greatest pleasures is to do good by stealth. And then be found out.' But as Ruth Lister pointed out, if you're never found out, you risk the appearance of doing no good at all. It is time for the chancellor to own up about redistributing money to poor children, and for the Government to challenge the rest of us for our support.

As Canada did in 1989, we need a National Agreement to do everything we possibly can to end child poverty in Britain and listing the principles and policies that will allow us to do so. These clauses will be arise from one of the National Conversations the Prime Minister's has been promising us and a real document will be formally signed by the leaders of all the political parties, the CBI and the Trades unions, the Churches and Faith Leaderships, and so on. It will be backed up by a national audit both of progress against the targets but be accompanied by the constant evolution of an integrated family policy that accepts what is happening between men and women and between people and the labour market - a policy that is no longer constantly outpaced by demographic and social and economic developments as has been the case in the past.

I read my first degree in the School of African and Asian Studies at Sussex. I learned that people in traditional societies do not really understand the concept of lone parenthood or individualised child poverty. We have it deep in our human nature to rediscover in post-industrial Britain what people in the rest of the world know without asking: that all children are everyone's responsibility all the time. This is to add to their parent's care, not to substitute it. That so many British children should still go without, and be so discouraged, should offend every one of us enough to do something about it. This will include forgoing some small fraction of our future rate of income growth in favour of redistributive taxation, work-sharing, child caring, and of energetic and creative intervention where cash and the market have plainly failed.

I do not know whether all of this will, by 2020, have drawn every family above 60 per cent of

median income. Remember that we have never actually been there before. But I'll bet it will get us two-thirds of the way, which will be an immense achievement in itself. I do know that progress on that scale will have abolished real hardship among all of them. If we can do that, and I know we can do that, I, for one, will throw my hat in the air.