

JRF Centenary Conference

Poverty and Place: Policies for Tomorrow

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POVERTY

by

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Introduction¹

You might expect that an opening plenary to mark the Centenary of the Joseph Rowntree Foundation would include a tribute to the wisdom of the Founder, and all the Trustees and staff of the JRMT and the JRF over the Century – especially here in the field of poverty. But I have specifically been enjoined not to do that. You might then expect me to review poverty and poverty research over the Century since the Foundation was established. I enjoyed doing something like that in the foreword to the facsimile centenary edition of Seebohm Rowntree's first study of poverty in York². However this task has fallen to the LSE team, who are launching their book *A Hundred Years of Poverty and Policy* this evening³. So, being allowed neither to eulogise the Foundation nor review the century that we are celebrating, I am forced to fall back on a review of where we are now with poverty. Much of this paper will be familiar to the many poverty experts in this audience, but I hope that this personal spin on the subject will at the very least provide useful background to the workshops.

So the questions I will cover are the following:

- How are we doing now on poverty in the UK?
- How do we compare with other countries?
- Who are poor and why are they poor?
- Why does it matter?
- Is the Government's anti poverty strategy right?
- That leads me to conclude that the issue of adequacy needs to be a focus for the future.

I did have a section on concepts and measures but left it out – partly for space reasons and partly because Ruth Lister has recently said all that needs to be said⁴

How are we doing now on poverty in the UK?

Charts 1-3 summarise what has been happening to the headline relative poverty rates 1979-2002/3, the latest data available.

Chart 1 shows that **child poverty** trebled in the 1980s, fluctuated in the 1990s and began to fall after 1998/9. The current government target is 'to reduce the number of children in low-income households by at least a quarter by 2004 as a contribution towards the broader target of halving child poverty by 2010 and eradicating it by 2020 The target for 2004 will be monitored by reference to the number of children in

¹ I am grateful for the comments of my colleague Professor Peter Kemp on drafts of this paper.

² Bradshaw, J. (2000) 'Preface', pp xix-1xxxii in Rowntree, B.S., *Poverty: A Study of Town Life*, Centennial ed., The Policy Press: Bristol.

³ Glennerster, H., Hills, J., Piachaud, D. and Webb, J. (2004) *A Hundred Years of Poverty and Policy*, York: JRF.

⁴ Lister, R. (2004) *Poverty*, Cambridge: Polity

low-income households by 2004/5. Low-income households are defined as households with income below 60 per cent of the median as reported in the HBAI statistics. Progress will be measured against the 1998/9 baseline figures and methodology'.⁵ Between 1998/9 and 2002/3 there has been a fall in the relative child poverty rate after housing costs of 14 per cent and before housing costs of 15 per cent. As the Institute for Fiscal Studies (IFS) has commented, 'this means that the government is 66 per cent of the way through the six year period and has reduced child poverty by 60 per cent of the amount required' (p29).⁶

There has been a debate about whether the Government is going to meet its first target. We will not know until the 2004/05 HBAI statistics have been published in 2006. However, the evidence that was presented to the House of Commons Work and Pensions Committee Inquiry on Child Poverty,⁷ based on modelling, suggested that it would certainly meet the target before housing costs and probably also after housing costs – and this is also the view of the Government. The published survey figures do not take into account the big increases in child tax credit - £2,830 million from April 2003 and the further increases of £850 million in April 2004, which were announced by the Chancellor in his Pre Budget Report in December 2003. If the target is met we should all applaud – it reverses a 20 year trend in the opposite direction and will have been achieved in an economic environment – increasing inequality and demographic change, which have not been friendly. Evidence confirms that parents have spent their increased income on their children's needs.⁸

Chart 2 shows that the poverty rate of **working age adults** also increased in the 1980s and has not been improving since Labour came to power. This is highly significant, a matter that deserves increasing attention and one I shall return to. It is particularly striking in the face of (at the time of writing) record employment levels and low unemployment rates not experienced since the mid 1970s.

⁵ HM Treasury, *Technical Note for HM Treasury's Public Service Agreement 2003-2006*, London: HM Treasury, 2002.

⁶ Brewer, M. *et al.*, *Poverty and Inequality in Britain: 2004*, Commentary 96, London: Institute for Fiscal Studies, 2004.

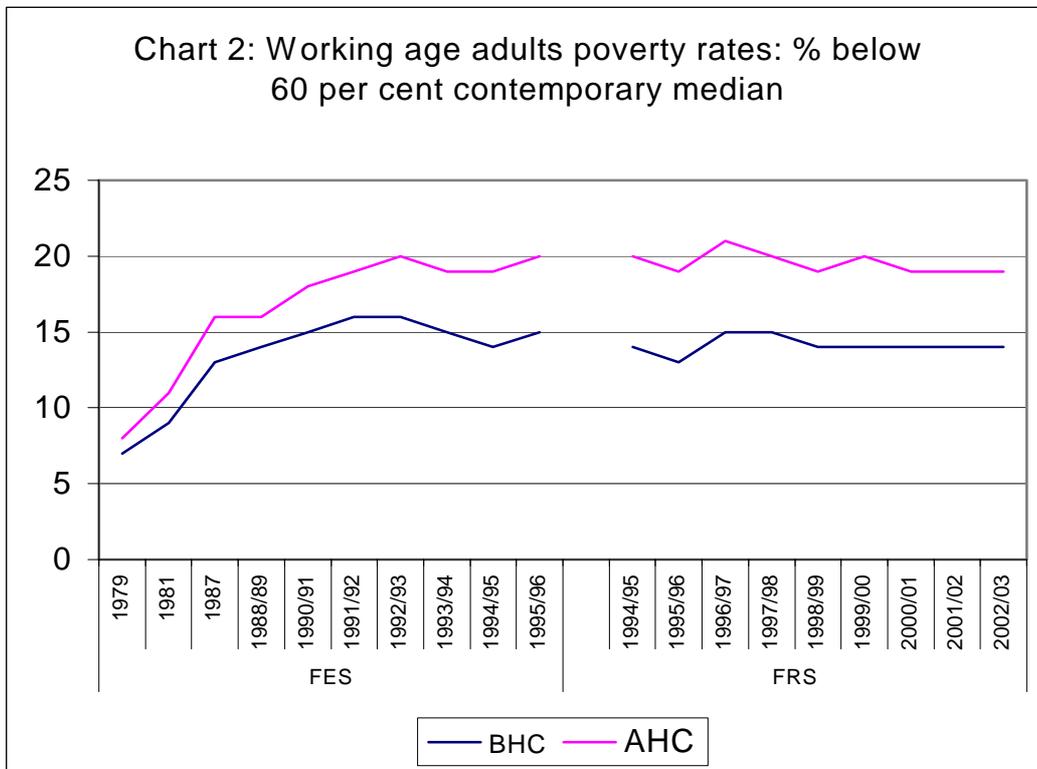
⁷ House of Commons Work and Pensions Select Committee, *Child Poverty in the UK*, Second Report (Session 2003-04), HC 85-1, London: The Stationery Office, April 2004.

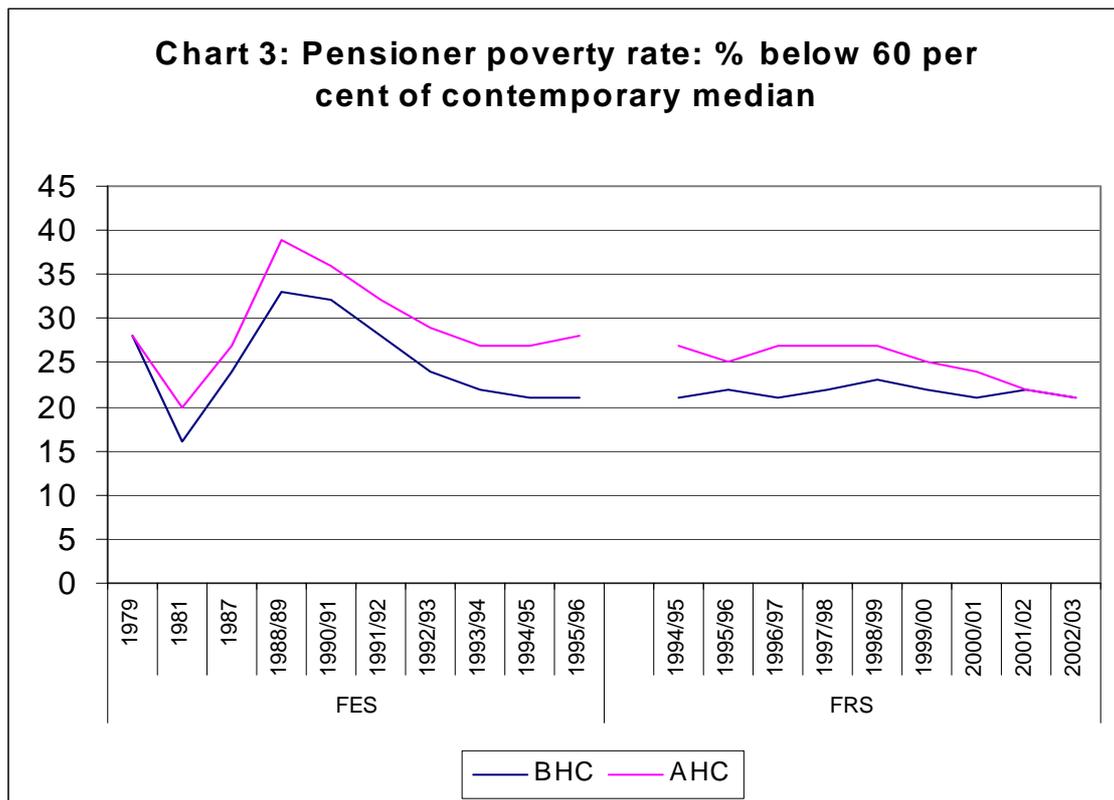
⁸ Farrell, C. and O'Connor, W., *Low Income Families and Household Spending*, Department for Work and Pensions Research Report 192, Leeds: Corporate Document Services.

Chart 1: Child poverty rate: % below 60% median contemporary income



Chart 2: Working age adults poverty rates: % below 60 per cent contemporary median

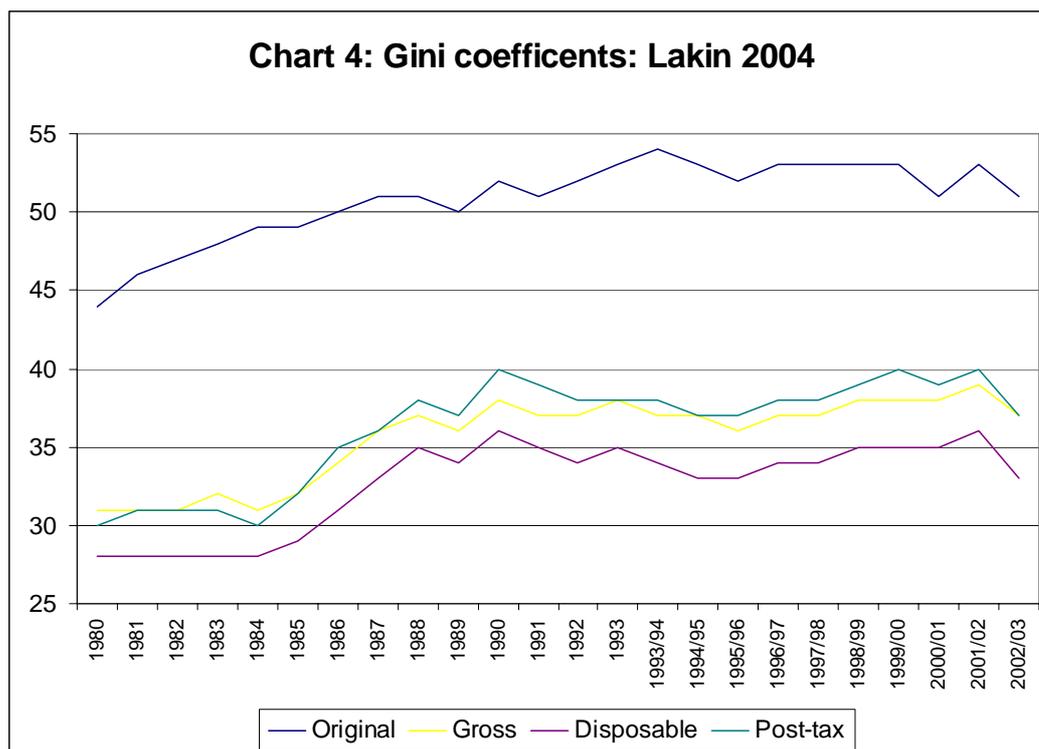




The general living standards of **pensioners** rose in the 1980s and 1990s but their income differentials became wider and pensioner poverty also rose in the 1980s. It can be seen in Chart 3 that after 1998/99 it has begun to fall, thanks partly to the sharp increases that the Government has made in benefits for pensioners, mainly Pensioner Credit, but also the Basic State Pension since 2001.

Like relative poverty, **inequality** in the distribution of income rose sharply in the 1980s, fluctuated in the 1990s and the best that can be said from Chart 4⁹ is that there is some (not statistically significant) evidence that it began to fall in the latest year for which we have data. This picture may be viewed as disappointing, but in the past inequality has increased in periods when the economy has grown and employment has been at high levels, and fallen when the opposite has occurred. It can therefore be seen as something of an achievement (though not one that the Government has claimed) that inequality has not increased more.

⁹ This is drawn from the latest of the annual analysis by ONS Lakin, C. (2004) *The effects of taxes and benefits on household income, 2002/3*. The Gini Coefficient is a measure of the degree of inequality in an income distribution. The higher the Gini the more the inequality.



The social protection system is now much better than it was in 1997. If there were to be a downturn in the economy and increased unemployment, children would be much better protected than they were in the mid 1980s or the early 1990s.

The Government published the latest *Opportunity for All* report¹⁰ in September 2004.

- Of 58 indicators of social exclusion covering children and young people, people of working age, older people and communities, 35 had moved in the right direction since the baseline (mainly 1997), 11 had remained broadly constant, three were moving in the wrong direction and for nine the trend could not be determined.
- Of the 23 indicators covering **children and young people**, only two (obesity and families in temporary accommodation) were moving in the wrong direction, and both of these were new additions to the series. Seven showed a broadly consistent trend, ten had improved and four have insufficient data available.
- Of the 17 indicators covering **people of working age**, none had moved in the wrong direction, five had improved, and 12 had remained broadly consistent.
- Of the 11 indicators covering **older people**, none had moved in the wrong direction, five had improved, for one data was insufficient and five were broadly consistent.

¹⁰ Department for Work and Pensions, *Opportunity for All: Sixth Annual report 2004*, Cm 6239, London: The Stationery Office, September 2004.

- Of the seven indicators covering **communities**, four had improved and three were broadly consistent.

So things are getting better. Nevertheless the relative child and working age adult poverty rates at the end of the first five years anti poverty strategy will still be double the rate they were in 1979, the pensioner poverty rate will be about the same as it was. Remember it took only a short period of about five years in the 1980s to treble our child poverty rates. Does it really need to take 20 years to get us back to where we were before 1979?

How are we doing in comparison?

The comparative evidence has much improved in recent years but it suffers from being terribly out of date. Chart 5 shows what happened to the UK child poverty rates between the mid 1980s to the mid 1990s – the most rapid increase of all countries in the analysis occurred in the UK and, significantly, some countries suffering from the same economic pressures and demographic changes manage to protect their children better than we did and had little or no increase in their child poverty.

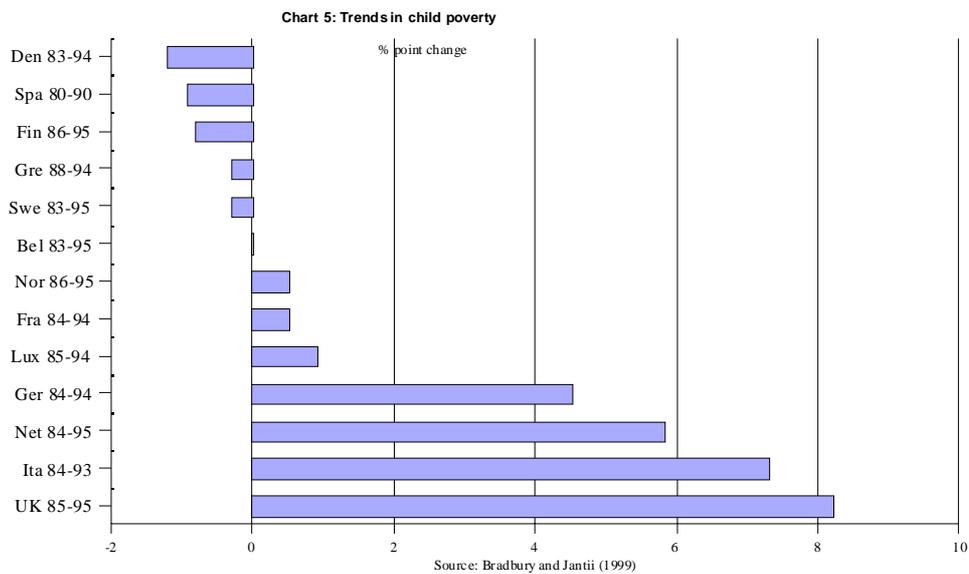


Chart 6 shows what has been happening since then to child poverty in the EU. The latest data from the European Community Household Panel is 2001 (income data for 2000) so it is terribly out of date but it shows that the UK started at the top of the European league table and ended fifth from top – there is a long way to go to be among ‘the best in Europe’.

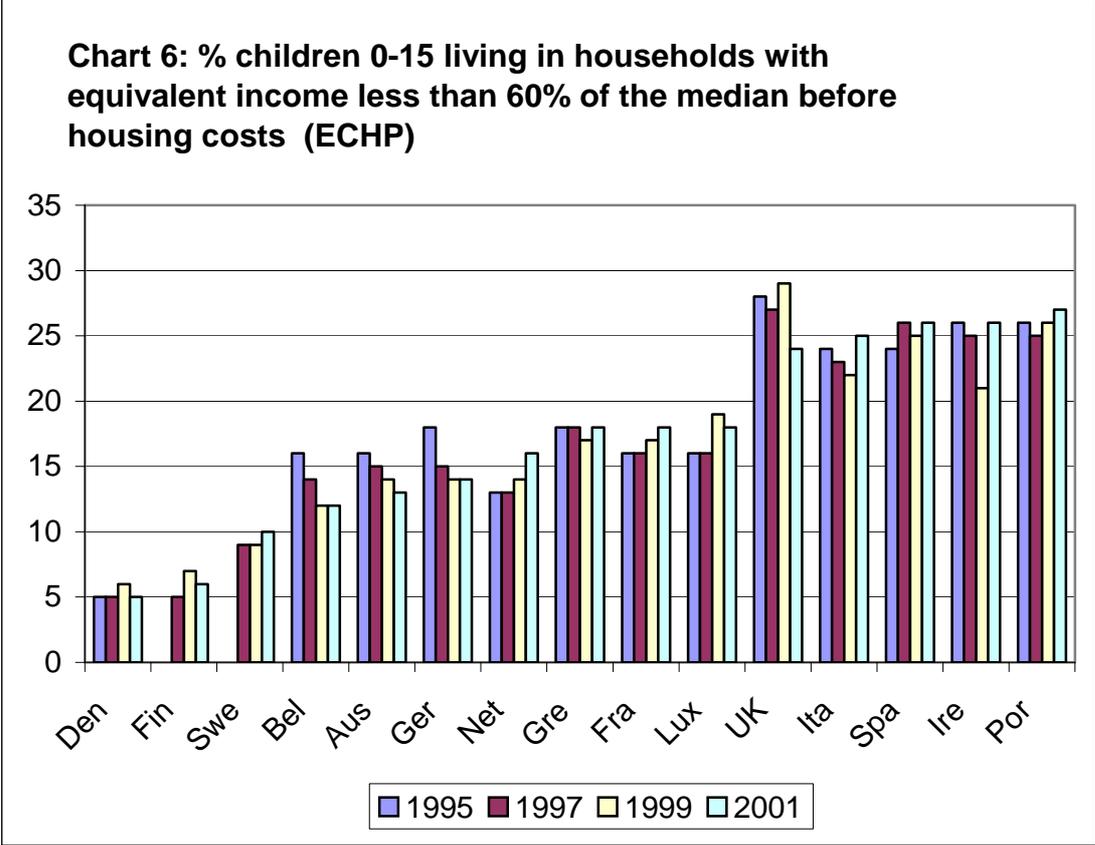
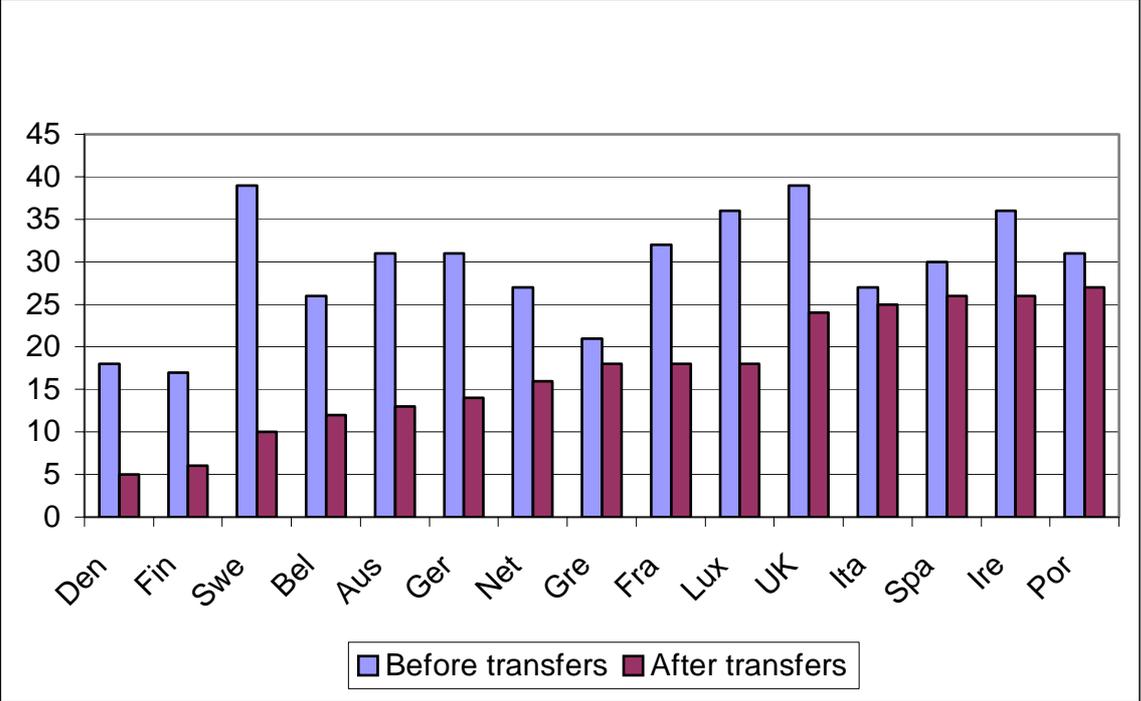


Chart 7 is very revealing. It shows that Britain starts with a comparatively high pre-transfer (before the impact of taxes and benefits) child poverty rate in 2000, driven by our comparatively low wages and high levels of unemployment and worklessness. But we are on a par with Sweden in pre transfer child poverty. However their tax/benefit system does much better than ours in reducing their pre transfer poverty by 75 per cent while our system reduced child poverty rates by 45 per cent. The key to the difference is policy. Sweden reduces its pre transfer poverty rates because it spends a great deal more than we do on its welfare state (and still has a competitive economy).

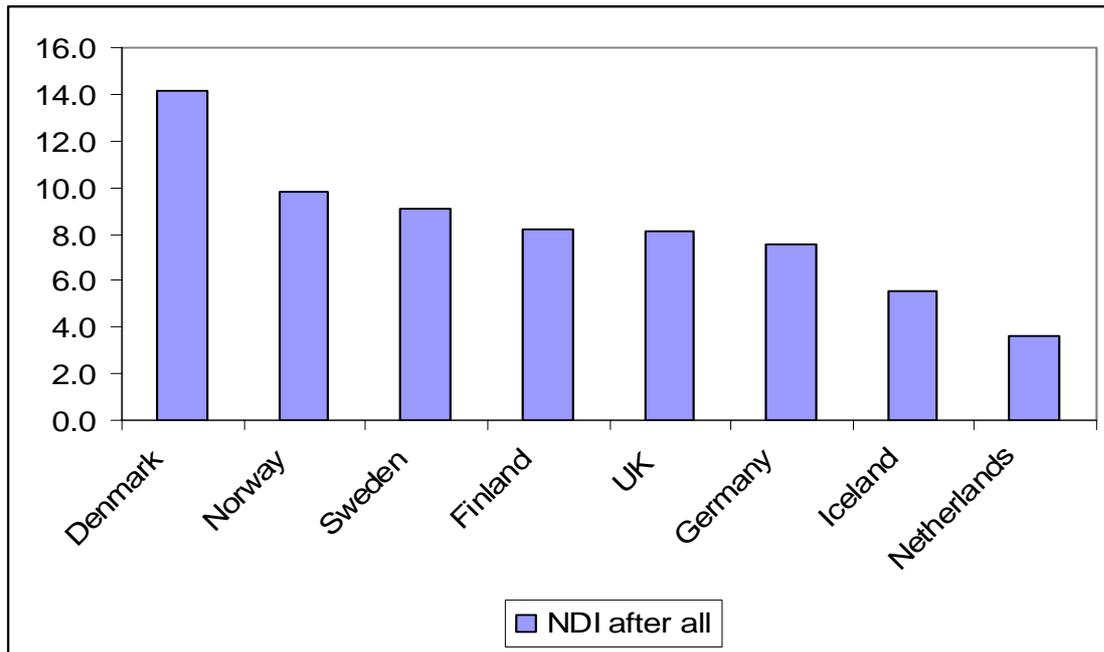
Chart 7: Pre and post transfer child poverty rates 2000 ECHP



We have been spending more since 2000 and our tax benefit system has become much more generous to families with children. Chart 8 compares the value of the child benefit package as at January 2004 for the Nordic countries and a few others. We find ourselves not much different from Finland but some way away from Denmark¹¹.

¹¹ This analysis is based on the same model family research that we use in Bradshaw, J. and Finch, N. (2002) *A Comparison of Child Benefit Packages in 22 Countries*, Department for Work and Pensions Research Report No.174, Corporate Document Services: Leeds. It is new research funded by the Nordic Research Council.
<http://www.york.ac.uk/inst/spru/research/summs/welempfc.htm>

Chart 8: Average child tax/benefit package (difference from childless couple) as percentage average earnings. January 2004



Who is poor and why?

The Founder instructed his trustees to 'search out the underlying causes of weaknesses or evil in the community'. However his son had already provided the key insight in his analysis of the relationship between market wages and the life cycle. Seebohm Rowntree's poverty cycle still exists - the largest groups of the population are in poverty (below 60 per cent of median before housing costs) because they are households with children (47 per cent in 2002/3) or elderly (24 per cent in 2002/3).

About half of all **children** in poverty were poor because their parent(s) could not earn enough (in the 2002/3 HBAI) and the subsidies they receive from the state are not enough, when combined with low earnings to lift them out of poverty. As employment rates have been rising, as the Minimum Wage has been rising faster than average earnings and as the tax benefit package has been becoming more generous, so this group of children who earn their poverty should be declining. Now an increasing proportion of children will be poor because both their parents do not work or their resident parent does not work and any Child Support she is awarded (if lucky enough to be a new CSA case) over £10 is taken from her by the DWP.

Pensioners are poor because they have no or low occupational pension and the Basic State Pension remains below the poverty threshold. Couple pensioners are poor even if they claim Pension Credit because it is still also below the poverty threshold (but not singles - see below) though as we shall see not by very much

now). More than a million are poorer than they should be because they fail to claim their entitlement to Pension Credit.

As well as these two large groups nine per cent of poor households are working age couples and 20 per cent singles without children. To be in poverty they are very unlikely to be in full-time employment, many have disabilities and are living on disability benefits or Income Support paid at rates well below the poverty threshold.

All this we know from the detailed analysis presented every year in the Households Below Average Income statistics. We also know other things from that source. While the odds of being poor are higher for children, pensioners and people with disabilities they are also much higher for

- Women
- Lone parent families
- Bangladeshi and Pakistani and Black ethnic groups but not Indian
- Certain regions – Wales, London but not, surprisingly, Northern Ireland¹²
- Certain areas, wards, neighbourhoods¹³ and streets

¹² The most recent HBAI included Northern Ireland for the first time and found that the poverty rate in Northern Ireland was not significantly different from GB either before or after housing costs. This is surprising given the lower wages paid in Northern Ireland and the much higher dependence on benefits there - as well as the findings from previous research. Part of the explanation might be teething problems with the NIFRS. Regardless, there are problems applying a British poverty threshold to Northern Ireland given that the housing costs are lower there but covered for people on Income Support while other costs are higher and have to be covered by the same levels of benefit.

¹³ The chart plots the cumulative proportion of child poverty against the cumulative proportion of Super Output Areas (SOAs). It is possible to use this to read off what proportion of poor children fall into what proportion of SOAs. Thus we find that half of all poor children live in 21% of SOAs, a third live in 12% of SOAs and a quarter live in 8.5 per cent of SOAs. The data is derived from the English Indices of Deprivation 2004 and uses as the measure of child poverty the Income Deprivation Affecting Children (IDAC) Index. This comprises the percentage of children under 16 in SOAs who were living in families in receipt of income support and jobseeker's allowance (income based) or in families in receipt of working families tax credit/disabled persons tax credit whose equivalised income is below 60 per cent of the median before housing costs. This measure is not identical to the conventional income measure but according to the 2002/3 Households Below Average Income analysis, 62 per cent of children in households with incomes less than 60 per cent of the median after housing costs were on IS or WFTC. The measure has the advantage over the previous data on the distribution of children on benefit of now including children in families receiving income related support in-work as well as out-of-work benefits. There is no other source of data that enables one to count child poverty at neighbourhood level. Super Output Areas are geographical areas, smaller than most electoral wards, aggregates of Census Output Areas containing an average of 1,500 people. There are 32,483 SOAs in England. **If a policy were concentrated on the poorest 20 per cent of SOAs (as was Sure Start), it would miss 52% of all poor children in England defined in this way.**

- In social rented tenures
- For people with certain characteristics
 - Low educational attainment
 - Young mothers
 - Large families
 - The very young and the very old.

Of course many of these characteristics interact and, to demonstrate how they interact, Table 1 presents some as yet unpublished bivariate and multivariate logistic regression analysis on the odds of being a poor mother in the Millennium Birth Cohort. Before controlling for other factors, lone motherhood, mothers' highest qualification, paid work status during pregnancy and age are the strongest predictors of being born poor

These effects remain significant when mothers' employment during pregnancy, age, marital status, education level, number of previous children, ethnicity, type of ward they live in and country of residence are all controlled for.

Spatial distribution of child poverty

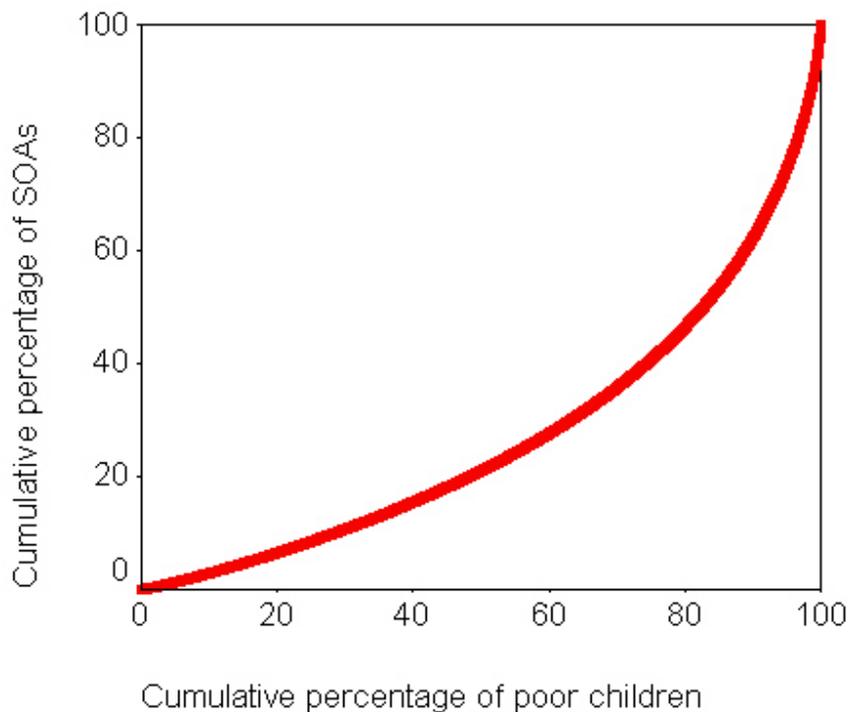


Table 1: The odds of being a poor mother in the Millennium Cohort Survey 2000/1 (Own analysis)

	<i>Bivariate analysis</i>	<i>Controlling for all</i>
Parents' marital status		
Married natural parents	0.11***	1.00
Cohabiting natural parents	N.S.	2.71***
Lone natural mother	22.08***	20.88***
Mother's highest qualification		
None on the list shown	6.05***	1.00
NVQ Level 1	2.51***	0.79**
NVQ Level 2	1.05***	0.54***
NVQ Level 3	0.72***	0.48***
NVQ Level 4	0.15***	0.29***
NVQ Level 5	0.05***	0.19***
Employment during pregnancy		
No	1.00	1.00
Yes	0.17***	0.29***
Mother's age at birth		
14 to 19	6.71***	1.00
20 to 29	1.59***	0.49***
30 to 39	0.28***	0.26***
40 plus	0.51***	0.26***
Mother's ethnicity		
White	0.58***	1.00
Mixed	2.75***	1.87**
Indian	0.45***	0.48***
Pakistani or Bangladeshi	1.71***	1.20
Black or Black British	2.96***	1.52**
Other	0.95	1.23
Number of siblings of baby		
Only child	0.80***	1.00
1 sibling	0.74***	1.38***
2 siblings	1.35***	2.06***
3+ siblings	2.79***	3.39***
Country		
England	0.85*	1.00
Wales	1.36***	1.18*
Scotland	0.94	1.17
Northern Ireland	1.01	0.97
Type of ward		
Advantaged	1.00	1.00
Disadvantaged	3.08***	1.67***
Ethnic minorities high	2.43***	1.74***

p< 0.001***, p<0.01**, p<0.05*

N.S. = Not Significant

Why does poverty matter?

Some people do not think that poverty matters or means anything any longer. Thus for example John Moore when Mrs Thatcher's Secretary of State for Social security declared the 'end of the road for poverty'. His argument was that people in poverty are now so rich compared to the poverty that Rowntree described in 1898, or to third world poverty today, that poverty in Britain today has no meaning or significance.

I hold to the view that to use the word poverty must involve a moral imperative – something ought to be done about it. Something (still) ought to be done about it for a variety of reasons

- We may feel a moral or religious duty to act on behalf of the poor – most world religions enjoin us to do so.
- Poverty is an intolerable unfairness and injustice. It is (for example) surely unjust that a baby born in a family with three children already should have a more than three fold chance of living in poverty - than if they had been first born.
- Poverty is economic and social waste – inefficient. Poor people are at risk of failing to thrive - physically, mentally and cognitively and are thus harming society and thus all of us.
 - Poverty in childhood is (still) associated with poor outcomes in adulthood – poor well-being leads to poor well becoming. There is now a host of evidence based on the British cohort studies to support this assertion. Hobcraft¹⁴ using the NCDS found that after controlling for many other experiences in childhood, poverty in childhood was associated with 33 out of 37 poor outcomes in adulthood. Sigle-Rushton¹⁵ using the 1970 British Cohort Study found that, after controlling for other childhood factors, poverty in childhood was related to a variety of poor demographic, labour market, economic, health and mental health outcomes at age 30.
 - Also cross-sectionally poverty is associated with most things that we call social problems – early mortality, morbidity, mental ill health, crime, fear of crime, anti social behaviour, homelessness, physical abuse, early child rearing, substance abuse (see for example Bradshaw¹⁶).
 - Poverty is closely associated with most types of social exclusion including labour market exclusion, exclusion from public and private services, exclusion from normal social and leisure activities, exclusion

¹⁴ Hobcraft, J. (2004) Parental, childhood and early adult legacies in the emergence of adult social exclusion: Evidence on what matters from a British cohort, in Chase-Lansdale, P.L. *et al.* (eds), *Human Development across Lives and Generations: The potential for change*, Cambridge: UP.

¹⁵ Sigle-Rushton, W. (2004) *Intergenerational and Life Course Transmission of Social Exclusion in the 1970 British Cohort Study*, CASE paper 78, London: STICERD.

¹⁶ Bradshaw, J. (ed) (2005) *The Well-being of Children in the United Kingdom*, London: Save the Children.

from public and private services, civic disengagement and confinement (fear of going out and about). However it is not associated with lack of contact with family and friends or lack of social supports.¹⁷

Table 2 again makes use of new analysis of the Millennium Cohort Survey to observe the relationship between poverty and three important birth outcomes

It can be seen that the odds of having a low birth-weight baby are nearly 50 per cent higher if the mother is poor. Poor mothers are more than twice as likely to be depressed. Non poor mothers are three times more likely to breast feed. These are bivariate results taking each variable in turn. We have also analysed these outcomes controlling for all other factors. Poverty remains a significant factor for low birth-weight and maternal depression but is no longer significant in breast feeding where it is drowned by other factors associated with poverty.

Table 2: Bivariate odds of low birthweight, maternal depression and breast feeding. Millennium Cohort Survey. Own analysis

	<i>Low birth weight (singeltons)</i>	<i>Maternal depression</i>	<i>Breast feeding</i>
Poor			
No	1.0	1.00	1.00
Yes	1.49***	2.22***	0.35***
Mother's ethnicity			
White	0.47***	0.77***	0.33***
Mixed	1.75***	1.26	3.07***
Indian	2.50***	1.66**	2.50***
Pakistani or Bangladeshi	2.36***	1.52***	1.66***
Black or Black British	1.56***	0.93	6.59***
Other	N.S.	0.87	6.17***
Parents' marital status			
Married natural parents	0.73***	0.61***	2.61***
Cohabiting natural parents	1.20*	1.21**	0.62***
Lone natural mother	1.36***	1.81***	0.35***
Smoking during pregnancy			
Didn't smoke	0.58***		
Gave up or up to 1 a day	0.82		
Between 1 and 10 a day	2.10***		
Between 11 and 20 a day	2.00***		
More than 20 a day	1.76		

¹⁷ Bradshaw, J. and Finch, N. (2003) Overlaps in the dimensions of poverty, *Jnl. Soc. Pol.*, 32, 4, 513-525.

Number of siblings of baby			
Only child	1.48***	0.77***	1.54***
1 sibling	0.68***	1.04	0.88***
2 siblings	0.93	1.26***	0.73***
3+ siblings	0.93	1.37***	0.62***
Mother's highest qualification			
None on the list shown	2.19***		
NVQ Level 1	1.00		
NVQ Level 2	1.05		
NVQ Level 3	0.86		
NVQ Level 4	0.64***		
NVQ Level 5	0.62*		
Mother's BMI			
Normal	2.21***		
Underweight	0.89		
Overweight	0.85		
Obese	0.84		
Morbidly obese	1.20		
Mother's age at birth			
14 to 19	1.28*	1.61***	0.33***
20 to 29	1.11	1.26***	0.67***
30 to 39	0.81**	0.69***	2.01***
40 plus	1.22	0.92	2.04***
Country			
England	1.15*		1.75***
Wales		N.S.	0.78**
Scotland	N.S.		0.86
Northern Ireland			0.47***
Type of ward			
Advantaged	1.00	1.00	1.00
Disadvantaged	1.19**	1.47***	0.42***
Ethnic	2.10***	1.23**	1.77***
Tenure			
Owner occupier		0.49***	2.71***
Social housing		1.95***	0.36***
Other – private rent		1.37***	0.75***
Living with parents		1.41**	0.55***
Paid work status			
Currently in paid work		0.70***	1.67***
Has paid work but on leave		0.78	1.60***
Has had paid work but not currently		1.29***	0.69***
Never had a paid job		1.55***	0.53***

Blank cells indicate that the variable was not included in the model for the outcome.

The government's anti poverty strategy

This took some time to emerge. Sticking to Tory spending plans in the first two years damaged the poor especially and cutting Income Support for lone parents and abolishing one parent benefit would have harmed the poorest children in Britain. It was a bad start. Apart from Minimum Wage legislation little of benefit to the poor actually began to be implemented or have effect until 2000. Since then there has been a steady build up of policies, some still to be fully implemented, that represent what can be described as a strategy. The strategy consists of:

- Management of the economy to ensure low inflation and high levels of employment. Employment has probably made the biggest dent in poverty in the last ten years. The UK is one of seven countries (in EU 25) to have already met the 2010 Lisbon female employment rate targets of 60 per cent, and one of five countries to have met the 50 per cent employment target for older workers.¹⁸
- A raft of welfare to work measures have made a modest contribution to getting people into work (or training), particularly the young.
- Increases in in-work benefits – Working Families Tax Credit, Working Tax Credit and Child Tax Credit have raised the incentive to work and reduced in work poverty.
- Increases in out-of-work benefits have helped pensioners and families with children. For pensioners this has been the substantial increases in their real level of Minimum Income Guarantee/Pension Credit. For families with children Income Support scales have been increased substantially.
- In the 2002 public expenditure settlement the Chancellor announced substantial increases in spending on education, health and transport. There was evidence that expenditure on transport¹⁹ and health were not being targeted on poverty, and generally that mainstream services were neglecting the poverty agenda²⁰. In July 2004, the Government announced the results of the 2004 Spending Review,²¹ covering the period 2005/6 to 2007/8. The spending plans envisage an average annual increase in current spending of 2.5 per cent in real terms over 2006/7 and 2007/8, which is lower than the 3.3 per cent increase in the last review. However among the announcements were many relating specifically to the poverty agenda²².

¹⁸ Report of the High-level group on the future of social policy in an enlarged European Union, DG Employment and Social Affairs.

¹⁹ Social Exclusion Unit, *Making the Connections: Transport and social exclusion*, 2003

²⁰ Sefton, T., *A Fair Share of Welfare: Public spending on children in England*, CASE report 25, London: Centre for Analysis of Social Exclusion, London School of Economics and Save the Children, 2004.

²¹ HM Treasury, *Stability, Security and Opportunity for All: Investing for Britain's long-term future: New Public Spending Plans 2005-2008*, London: The Stationery Office, 2004.

²² Additional investment in childcare places of £669 million by 2007/08 compared to 2004/05; 1,700 children's centres, one in each of the 20 per cent most disadvantaged wards in England, by 2007/08; a two-year £80 million prevention fund to install smart alarms in old people's houses; an extra £525 million a year securing the New Deal for Communities programme; a new PSA target to promote

Public expenditure as a proportion of GDP was 40.8 per cent in the year before the Labour Government was elected in 1997. It fell to 37.4 per cent in 1999/00 and then began to rise to 41.1 per cent in 2003/04. The new plans envisage that it will rise to 42.3 per cent by 2007/8 – still low compared to many of our EU partners.

Despite early New Labour rhetoric - that giving people money was not the answer to poverty, the combination of measures designed to provide work for those who can and welfare for those who cannot, and the investment in services and childcare, have the makings of a sensible short and long -term strategy. In contrast to policies of the previous 20 years, the Labour Government has built an impressive record on poverty - one that has not been fully recognised by the general population, the media, the Labour Party or even the Government itself – certainly you do not hear Ministers boasting about it – except perhaps the Chancellor - and especially in his speech to the JRF London Centenary Conference in July.

This absence of celebration of their achievements - their reticence - is one cause for anxiety. One does not get the impression that the PM, nor all the Cabinet are much preoccupied with poverty. The Minister for Children and her civil servants for example seems to be more preoccupied with the child protection agenda. The Home Secretary, with the anti-social behaviour agenda. In fact generally there is a strong scent of behavioural explanations in Ministerial utterances. Even in the Child Poverty Review produced by HM Treasury there are nine (out of 100) pages on anti-social behaviour and criminal justice. In contrast to, for example, only one paragraph (5.50) which discusses the costs of school – costs which appear to be rising, and which affect children directly through the experience of classroom stigma and which were also an issue specifically mentioned as a concern in the last UK NAP²³.

This ambivalence and possible lack of resolution is particularly worrying because the anti poverty strategy is going to get harder. Poverty has fallen to the extent that it has due mainly to increasing employment. At the moment the employment rate is stable and at record levels. The ILO unemployment rate is at 4.7 per cent and the claimant count is the lowest since 1975 at 2.7 per cent. Vacancies are up, redundancies

improvements in the environment in deprived areas; a new PSA floor target for schools in deprived areas and an assessment of whether resources are being distributed to them equitably; extension of child and adult mental health services to 16 and 17 year olds; enhancement of the evidence base on whether poor children have access to health services; a new PSA target on childhood obesity; accessibility planning for local transport; implementing the bus subsidy review; expansion of early intervention programmes for young offenders; a new National Offender Management system to ensure that fewer children are separated from their parents; pilots of Women's Community Centres to support women offenders back into the community; a new 'child poverty accord' between central and local government to ensure collaboration.

²³ The DfES have just completed a study that indicates that on average parents pay £736 per year mainly on school costs meals, uniforms and sports kit. Brunwin, T., Clements, S., Deakin, G., and Mortimer, E. (2004) *Counting the cost of going to school*, Department for Education and Skills (Brief No. RB588 ISBN 1 84478 334 0).

down. However worklessness is still high²⁴ and it is unlikely that the government will achieve the employment targets it has set for lone parents and people with disabilities.

This will mean that 'welfare for those who can't' policies must play a more important part in the future strategy than they have in the past. This takes us to the issue of adequacy.

ADEQUACY

Beveridge set his scales of benefit with a loose regard to Rowntree's 1936 poverty standard. After 1948, benefits were uprated in a fairly ad hoc manner, but they more than doubled in real terms – that is by 1979 people on benefits could buy twice as much as they had in 1948 and benefits broadly maintained parity with average earnings²⁵. Then from 1980 the Tories broke any link with earnings and uprated most benefits in line with prices. Then from 1986 social assistance was increased in line with prices less housing costs (the Rossi index). People dependent on benefits fell behind the living standards of those in work and this factor more than any other drove up poverty and inequality.

When Labour came to power they continued with these policies - until the 2000 uprating that hiked Child Benefit and the child scale rates of Income Support. In the 2001 uprating, in response to outrage over the 75p pension increase in 2000, they hiked the Basic Retirement Pension and Minimum Income Guarantee. The present system seems to be as follows:

- Pension Credit moves with average earnings;
- Child Tax Credit moves with average earnings during this parliament;
- The basic retirement pension and other non means-tested benefits move with the RPI;
- The adult rates of Income Support move with the RPI less housing costs.

There is no justification for this pattern. Differentials between different classes of claimant are already absurd – a single 59 year old is entitled to £55.65 per week on Income Support and the day she reaches 60 and claims Pension Credit she gets £105.45. As earnings rise faster than Rossi, each year the gap will widen and eventually become unsustainable²⁶. Parents now receive £42.27 per week per child while on Income Support (actually £58.22 for the first child when Family Premium

²⁴ Social Exclusion Unit, *Jobs and Enterprise in Deprived Areas*, London: Office of the Deputy Prime Minister, 2004.

²⁵ Bradshaw, J. and Lynes, T. (1995) *Benefit uprating policy and living standards*, Social Policy Reports 1, York: SPRU.

²⁶ On the formula the single person aged 59 would have received 55p more in April 2005 and the 60 year old £4.10 more. We wait for the Autumn Statement.

knocks in) - uprated with earnings. A couple get £43.65 each uprated by Rossi. Some single women become pregnant on the single scale rates of Income Support. During their pregnancy they may well receive free welfare foods. When they have the baby they should get the Surestart Maternity Grant and they will receive £58.22 extra for the child including a family premium. But we know from the work of the Wynns²⁷ and others that women's diets **before** pregnancy are critical to outcomes.²⁸

These differentials are based on no assessment of relative needs and indeed the Rossi index upratings of adult Income Support rates are undermining the child poverty strategy – parents are increasingly being funded by their children.

Table 3 shows the difference between an estimate of the poverty threshold (60 per cent of median income)²⁹ as at April 2004 and Income Support and the net income before housing costs of someone working 16 hours for the Minimum Wage.

- The single person's Income Support rate is £42 less than the poverty threshold and if they only worked 16 hours for the Minimum Wage they would be £35 per week less than the poverty threshold. In order to match the poverty threshold they would need to earn £175 per week or 39 hours on the Minimum Wage.
- A single parent with two children on Income Support is £26 per week below their poverty threshold. When in employment for 16 hours on the Minimum Wage they are £17 below the poverty level. However they could match their poverty threshold by earning £90 per week or 20 hours for the Minimum Wage.
- A couple plus two children on Income Support are £175 per week short of the poverty threshold. Working 16 hours for the Minimum Wage they are £86 short of the poverty threshold. To match the poverty threshold they need to earn £310 per week or 7.75 per hour for a 40-hour week.
- Single pensioners on Pension Credit have income above their poverty threshold by £8 per week and couples on Pension Credit are only £18 below their poverty threshold.

²⁷ Wynn, M. and Wynn, A. (1979) *Prevention of Handicap and the Health of Women*, London Routledge and Kegan Paul.

²⁸ We do not know how many women become pregnant while single and on Income Support. The Millennium Cohort Survey is not a perfect vehicle for making estimates because it interviewed mothers nine months after birth. At that stage seven per cent of mothers who had had a first child, were single and receiving Income Support.

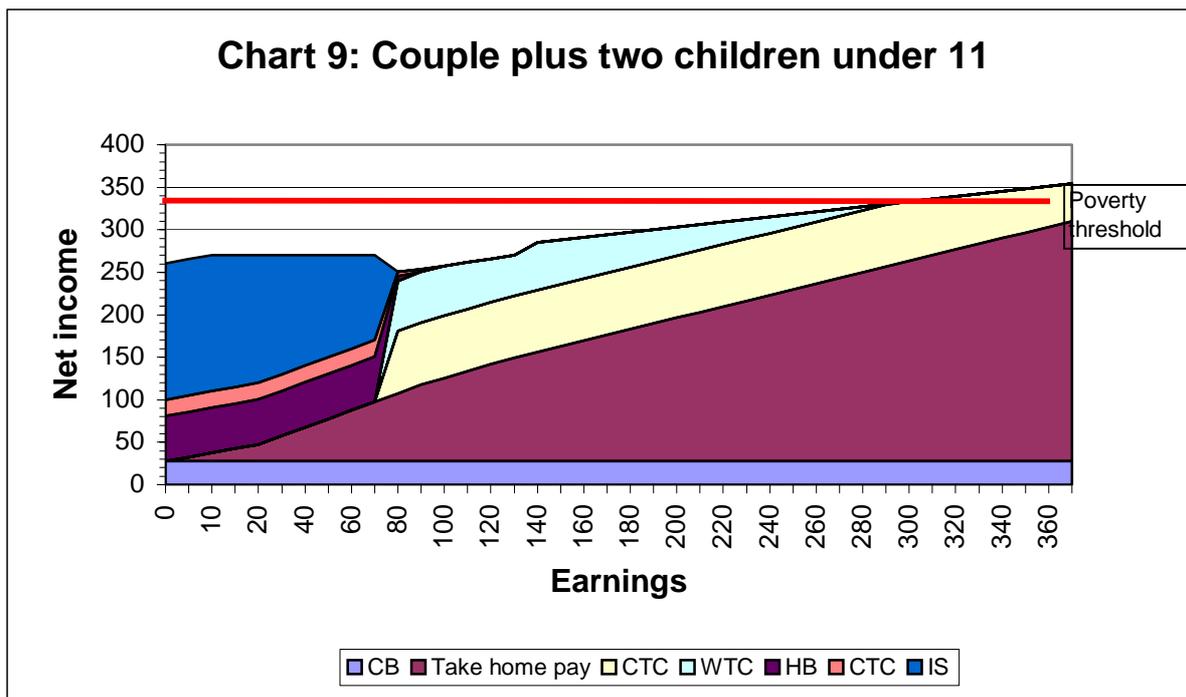
²⁹ The poverty threshold is the threshold after housing costs given in HBAI 60 per cent of median 2002/3 plus 4% plus the housing costs assumed for each family type in the DWP *Tax Benefit Model Tables* for April 2004. The Income Support/Pension Credit scales are those for April 2004 plus the same housing costs. The NDI before housing costs on £72 (16 hours x £4.50) per week is taken from tables 1.1a, 1.3a and 1.6a of the *DWP Tax Benefit Model Tables*.

Table 3: Comparisons of the gaps between the poverty threshold, benefit levels and net in-work income: Before Housing costs

<i>Benefit unit</i>	<i>Estimated poverty threshold (60 per cent of median) as at April 2004.</i>	<i>Difference between poverty threshold and Income Support/Pension Credit scales. Excludes free school meals and welfare foods before housing costs</i>	<i>Difference between the poverty threshold and the net disposable income before housing costs if employed for 16 hours on the Minimum Wage and claiming tax credits</i>
Single person	£154	-£42	-£35
Single parent plus two children	£250	-£26	-£17
Couple plus two children	£336	-£175	-£86
Single pensioner	£154	£8	-
Couple pensioner	£239	-£18	-

Chart 9 shows the net income for a couple plus two children compared with the estimated poverty threshold of £336 per week. You can see the biggest poverty gap is for this family when no one is in employment (zero earnings). If there is one earner working 40 hours for the Minimum Wage, earning £180³⁰ per week about half of their net income is coming from child benefits and tax credits but they are still about £50 per week short of the poverty threshold and only about £40 per week better off than they would be not working at all. It is not until they earn £310 per week that they match the poverty threshold.

³⁰ We have assumed that the WTC 30 hour credit kicks in at £135 per week.



All this points to the need for a review the level of benefits, their relationship to each other, their implied equivalence scale and their uprating basis. Some have argued that Britain needs an independent Minimum Income Standards Commission rather like the Low Pay Commission to advise governments about the adequacy of benefits, employing budget standards and other research. There is probably no hope that Government will ever give up the right to make political decisions about benefit rates but they certainly could be better informed and based on better evidence. The Child Poverty Review acknowledged the need to increase benefits paid to large families relative to small 'over time'. Instead of earnings, prices or a Rossi index, it would be far more sensible for all benefits to be uprated by an index of average net disposable income from earnings i.e. after income tax and national insurance contributions. But only after some more reasonable basis of relativity has been established.

Conclusion

Relative poverty was dire when Labour came to power. Compared with earnings, benefit levels were lower that when they had been introduced in 1948 and, compared with prices, they had not improved since the mid 1970s. Now after a slow start much has been achieved and much more will be achieved with present policies. It is a remarkable fact, (extraordinary for those of us who lived and worked on this agenda through the 1980s) that poverty is at the heart of the domestic agenda – in DWP, HMT, ODPM and perhaps DfES and DoH. Of course we have the JRF (n.b. not the Research Councils) to thank for keeping the issue alive in those bleak years. Things are moving in the right direction now – and I think that the evidence is overwhelming. But it is not fast enough – children’s lives are still being blighted – and will be for

another 15 years at the present pace. Further the job will get harder even if the labour market stays as buoyant or even continues to improve. Though the treatment is good and getting better, the dose needs strengthening. That involves increasing low earnings. At the moment the state is playing a vital part in supporting market earnings. At no time in our history has it had to do more. The support it provides at half average earnings is more than any other EU country³¹. The taxpayer is providing a large subsidy to low paying employers and, no doubt, many are laughing all the way to their shareholders. But more than that it involves increasing out-of-work benefits and thus increased public expenditure on transfers. Increasing public expenditure on transfers involves increasing taxation.

If the Government is going to be able to deliver on poverty it is going to need to raise more from our tax system and make it more redistributive. At the moment our direct taxation system is mildly progressive and the indirect tax system is mildly regressive. The whole is largely proportional³².

My weekly take home pay is £784³³. An unemployed young woman aged 20 who falls pregnant for the first time will receive £44.05 during her pregnancy. I would much prefer a society in which she received a great deal more **before** she becomes pregnant and I received a great deal less. The present differentials are unjust and unwise – now.

³¹ A finding from our Nordic project (forthcoming).

³² Hills, J. (2004) *Inequality and the State*, Oxford: University Press.

³³ This is well below the level of £100,000 per year that the Liberal Democrats have said that they will increase tax at. Their tax proposal will raise £5 billion.