

# Tackling Child Poverty and Improving Life Chances

## TUC response to the DfE-DWP-HMT consultation

### Introduction

- 1 The TUC is the voice of Britain at work. With 58 affiliated unions representing more than six million working people from all industries and occupations, we campaign for a fair deal at work and for social justice at home and abroad. We negotiate in Europe, and at home, we build links with political parties, business, local communities and wider society.
- 2 The TUC are grateful for this opportunity to contribute to this consultation. As a founder member of End Child Poverty, we are passionately committed to this objective.

### Raising incomes is the key to tackling poverty

- 3 The TUC is strongly opposed to any steps that downgrade the significance of incomes and economic inequality. We agree with the End Child Poverty coalition that the UK's high level of economic inequality drives child poverty. Poor parenting can be an issue and services that deliver extra support to low income families during children's early years are very welcome, but this should not be at the expense of policies that address child poverty more directly.
- 4 The latest results from the *Millennium Cohort Study*<sup>1</sup> show that thirty per cent of families have an income below the 60 per cent cut-off. This is in line with what was already known from the regular *Households Below Average Income* series, but the Study also shows that no-one in the bottom 20 per cent of families by income has an income above 48 per cent of the median.
- 5 73 per cent of Pakistani and Bangladeshi children in the millennium cohort are in poor families; so are 51 per cent of black children, 26 per cent of white children and 24 per cent of Indian children.

### The importance of in-work poverty

- 6 The imperative of raising incomes at the bottom end of the spectrum applies to in-work as well as out-of-work poverty. The Millennium Cohort Study found that half the poor children lived in families where at least one parent has a job. This confirms the message from the HBAI statistics, which show that 59 per cent of poor children live in families where at least one adult is in employment (measured on a before housing costs basis, 61 per cent on an AHC basis.)<sup>2</sup>
- 7 Reducing child poverty among working families will require additional support for working parents to help them increase their hours and progress into better paid jobs. For families where this is not possible increasing incomes will depend upon increased financial support from the state. Examples of families in this position include lone parents whose childcare responsibilities mean they can only work during school hours, families that are unable to obtain additional paid work and families afflicted by low pay who are unable to obtain better paid jobs.
- 8 The last Government calculated<sup>3</sup> that over 1 million children could be taken out of poverty by a strategy that included - more lone parents in employment, increased working hours for couples and more couples achieving 1½ jobs and improving take-up of tax credits and

benefits. But they also calculated that the 2020 target could not be reached without tackling in-work poverty – halving it would take 650,000 children out of poverty.

- 9 Low incomes for working families will continue to be a significant problem once Universal Credit is introduced if families do not have additional state assistance in work including, in particular, adequate assistance to cover their housing and childcare costs. They will also need access to training and with other opportunities to progress and the ability to increase their hours. (As set out in *Ending Child Poverty*.)
- 10 Even the *Ending Child Poverty* strategy would leave a million children in poverty – at some point, progress in ending child poverty will require a willingness to raise benefit rates. For some households work will not be possible. For example, parents who are severely disabled may be unable to work (16 per cent of children living in poverty live in households with one or more disabled adults.)<sup>4</sup> Nor may lone parents with very young children (29 per cent of children in poverty live with lone parents who are not employed.)<sup>5</sup> Parents who cannot find work in areas of high unemployment will struggle to move into jobs. For children in these families, the only way that household income will be increased is through more generous social security payments from the Government.
- 11 Given the importance of raising incomes as a means to reduce child poverty, and the role that state provided financial support plays in raising the incomes of workless and working families, we therefore believe that it will be important for the child poverty strategy to set out a more generous longer-term approach to social security expenditure on children and families.

## The likely effect of cuts

- 12 The risk cuts pose to poor children is difficult to overstate. The Institute for Fiscal Studies forecasts<sup>6</sup> “both absolute and relative poverty among children and working-age adults are expected to rise.” Between 2008/9 and 2009/10 the IFS forecasts that the number of children in absolute poverty will be “roughly constant” and the number in relative poverty will fall by about 300,000 as a result of above indexation increases in CTC in 2009 and 2010.
- 13 The future is much less bright:

*The Government’s tax and benefit reforms act to increase relative poverty in 2012–13 amongst each of children, working-age parents and working age adults without children by about 100,000, and increase absolute poverty in 2012-13 by about 200,000 children, about 100,000 working age parents and about 100,000 working-age adults without children. This finding is at odds with the Government’s claim in the 2010 Spending Review that its reforms will have no measurable impact on child poverty in 2012–13. However, the impact estimated by the researchers (a rise of 100,000) is the smallest that would be captured by the official poverty figures. The discrepancy is entirely accounted for by the fact that IFS researchers have considered the impact of the Government’s planned reforms to Local Housing Allowance on poverty rates, whereas the Treasury did not ...*

*The Government’s tax and benefit reforms act to increase absolute poverty in 2013–14 by about 300,000 children, about 200,000 working age parents and about 300,000 working-age adults without children, and increase relative poverty in 2013–14 by about 200,000 children, about 200,000 working-age parents and about 200,000 working age adults without children. The reforms increase relative poverty by less than absolute poverty in 2013-14 because the reforms lower median income, and hence the relative poverty line, in that year.*

14 If the IFS are right, this will be a serious reverse for the cross-party commitment to ending child poverty. Child poverty will not only be significantly higher in 2014, there will only be 6 years to go until 2020.

15 Children in poverty will be hit by cuts to services and benefits:

- The Daycare Trust forecasts<sup>7</sup> that 250 Sure Start centres face closure within a year.
- Councils are responding to the “front-loaded” cut in their support grant with drastic reductions in children’s and youth services. A recent survey by Unite and *Children and Young People Now*<sup>8</sup> revealed that £100m will be cut from local authority youth budgets by March 2012.
- A TUC analysis of the benefit cuts in the emergency Budget and the Spending Review<sup>9</sup> revealed that two thirds would affect working families. A majority of the working age welfare cuts relate to benefits for children.
- An analysis by Family Action<sup>10</sup> of welfare cuts including the Health in Pregnancy Grant, the Sure Start Maternity Grant, the Baby element of Child Tax Credit, the Toddler element of Child Tax Credit and the Child Trust Fund found they would cost the poorest families £1735 over pregnancy and the first year of a child’s life.

## The Child Poverty Act

16 The Child Poverty Act was supported by all the main political parties and represents cross-party commitment to continued progress on eliminating child poverty. The TUC strongly supports the Act and is opposed to any attempt to dilute its provisions.

17 In particular, we urge the government to establish the Child Poverty Commission, as mandated by the Act. The lack of progress in creating this important institution is troubling. Social mobility and life chances are important issues and they are linked to child poverty (the issues have some roots in common and child poverty and social mobility affect each other) but the child poverty target is difficult and we believe that the Child Poverty Commission should give this its undivided attention.

18 Finally, the strategy must include a timetable. It would be all too easy to defer progress on a difficult task to an indefinite future – this would mark the abandonment of children in poverty. Progress does not necessarily mean a set number of children in poverty for each year, but the strategy should set out targets that include a lower number of children in poverty at some half-way stage between now and 2020. The strategy must also set out just how the government’s policies will contribute to meeting these interim goals.

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<sup>1</sup> <http://www.cls.ioe.ac.uk/studies.asp?section=000100020001>

<sup>2</sup> *Households Below Average Income (HBAI) 1994/95-2008/09*, DWP, 2010, table 4.3, [http://statistics.dwp.gov.uk/asd/hbai/hbai\\_2009/index.php?page=chapters](http://statistics.dwp.gov.uk/asd/hbai/hbai_2009/index.php?page=chapters)

<sup>3</sup> In *Ending Child Poverty – Mapping the Route to 2020*, HMT – DCSF – DWP, 2010, [http://www.hm-treasury.gov.uk/d/budget2010\\_complete.pdf](http://www.hm-treasury.gov.uk/d/budget2010_complete.pdf)

<sup>4</sup> HBAI, [http://statistics.dwp.gov.uk/asd/hbai/hbai\\_2009/index.php?page=chapters](http://statistics.dwp.gov.uk/asd/hbai/hbai_2009/index.php?page=chapters)

<sup>5</sup> Ibid.

<sup>6</sup> *Child and working age poverty set to rise in next three years*, IFS, 2010, [http://www.ifs.org.uk/pr/child\\_poverty2013.pdf](http://www.ifs.org.uk/pr/child_poverty2013.pdf)

<sup>7</sup> *250 Sure Start children’s centres face closure within a year*, Daycare Trust, 2011, <http://www.daycaretrust.org.uk/pages/250-sure-start-childrens-centres-face-closure-within-a-year.html>

<sup>8</sup> “True scale of council youth service cuts revealed”, Andy Hillier, *Children & Young People Now*, 2011, <http://www.cypnow.co.uk/news/ByDiscipline/Youth-Work/1053491/True-scale-council-youth->

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<sup>9</sup> *Welfare changes by 2014/15*, TUC, 2010, <http://www.tuc.org.uk/extras/welfarechangesby2014-15.pdf>

<sup>10</sup> *Born Broke*, Family Action, 2011, <http://www.family-action.org.uk/uploads/documents/parents%20with%20new%20children.pdf>