“Eradicating” Child Poverty in Scotland in an Era of Devolution

An Atlantic Fellowship Paper

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Executive Summary

- Welfare reform in the US was intended to "end welfare as we know it." It involves significant devolution of benefits policy to state governments.

- In return for the new flexibility, American states must achieve participation rate goals for benefits recipients. While initially helpful, these have become outdated process measures. Can something better be found?

- In 1999 Tony Blair set the UK a goal of ending child poverty in a generation.

- Around the same time, the UK was – separately – devolving substantial authority to Scotland, Wales and Northern Ireland.

- Blair's child poverty pledge was explicitly done with a goal of "making the welfare state popular" again.

- The pledge was a surprise – it had not been foreshadowed in the Labour 1997 election manifesto or those of the Conservatives or Liberal Democrats.

- Scotland was quickest of the devolved areas to focus on child poverty but Wales and Northern Ireland are in the process of doing so.

- Unlike the US, the UK did not have a long-settled definition of poverty and the government engaged in a lengthy process before deciding how to define the goal's achievement. The final measure has three components: absolute poverty, relative poverty and material deprivation. The extended consultation process was educational but the shifting nature of the definition has increased cynicism.

- For the first five years, the goal has been defined by Public Service Agreement (PSA) targets involving relative poverty.

- The devolved areas have been hesitant to set out their own specific PSA-style targets related to child poverty. They have preferred to set intermediate targets addressing problems seen as leading to poverty instead.

- The UK government has set out a comprehensive agenda to address child poverty, including promoting work, making "work pay," early interventions to improve the life chances of poor children, parental support and public service reform.

- The Scottish Executive has focused on employability and community regeneration while supporting some early interventions of its own, such as breakfast services in schools located in deprived areas.

- The progress has been monitored by annual reports – *Opportunity for all* in the UK and *Social Justice…a Scotland where everyone matters* in Scotland – which include a host of indicators. Outside experts have also produced reports on the poverty situation.

- It appears the UK is on track to meet the PSA target through the first five years, and progress is even greater on an absolute poverty measure.

- A continuation of the same approach promises progress, particularly against absolute poverty. However, it will likely require substantial additional resources, which will have to compete with other governmental priorities.

- An alternative would be to tax the wealthy more and redistribute more funds to low-income families. While potentially effective, this approach would be politically controversial and the government appears set against it.

- Another approach is to more actively remake the labour market to increase the number of higher-paying jobs, boosting the effects of promoting employment. However, direct ways to do this may interfere with the goal of a high level of employment. Indirect means, such as improving the skills of workers, may help but the long-run effectiveness of this approach is less certain.

- Relative poverty is affected by broader societal trends, such as a tendency in recent decades towards "work rich" households. A focus on shifting no earner "workless" households into work may still leave these families well behind the "work rich."

- The UK has seen significant changes in family structure, particularly a near four-fold increase in the proportion of lone parent families since the early 1970s. Indirect approaches to strengthening families might help limit child poverty.

- The limited geographic scope of devolution in the UK suggests that the UK government will be less inclined than the US federal government to consider how to influence policy in devolved areas, potentially leading to "benign neglect."

- The financial underpinnings of devolution are important as to whether Scotland can support child poverty reduction efforts.

- The US can reduce child poverty – it was falling during the 1990s. A focus on child poverty may serve as a good successor to "ending welfare as we know it."

- Americans are unlikely to adopt relative measures of poverty. Measures of material deprivation have some potential to supplement the current American definition of poverty.

- The US already has some elements needed for a child poverty reduction strategy. After considering the UK strategy, more attention to parental support approaches in the US is in order.

- The European Union's "open method of coordination" approach might serve the US well, given that 50 states with devolved authorities need to be involved.

- Finally, Americans are more likely to respond to an emphasis on improving the life chances of children, rather than traditional calls to redistribute for social justice reasons.

Introduction

This paper looks at the UK's ambitious effort to end child poverty in a generation, originally announced by the Prime Minister in March 1999. I am interested in seeing the effects of setting such a goal in an environment where some policy tools have been devolved, with a particular emphasis on the Scottish experience. This interest in the interaction of national goal-setting and devolution in anti-poverty programmes follows on my work on welfare reform policy in the US, which features murkier goals and stronger devolution.

Much of this paper looks at the UK-wide drive to end child poverty, not just the situation in Scotland. This is due to the need to look at both devolved and non-devolved policy matters. Child poverty in Scotland will not be eradicated without assistance from London. But child poverty in the UK may not be ended without help from Edinburgh as well. I have attempted to sketch the picture for the whole UK and how Scotland fits within it.

I have been based within the Social Inclusion Division of the Scottish Executive and thank them, especially Kay Barton, for their generosity. The views expressed here are my own and should in no way be attributed to the Executive. I have reviewed an extensive array of public documents and academic papers. (The report by Select Committee on Work and Pensions of the House of Commons has been particularly useful.) I have also met with many key experts and travelled widely. I made multiple trips to Glasgow and London as well as visits to York, Cardiff, and Belfast. I also attended social policy conferences in Manchester and Nottingham.

This paper represents a mix of policy analysis and qualitative impressions. I come from the political side of public policy, not the academic one, and the paper reflects this. I am looking to return to the Washington policy debates with a fresh take on American problems after considering how the UK has addressed similar challenges. I thank the many people who have been kind enough to meet with me, the names of whom can be found in the appendix, and the British Council for giving me this opportunity. Tracy Jesty and Adele Chadwick of the Council have been particularly helpful.

Prologue – The American Context

Welfare Reform

On August 22, 1996, President Bill Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)– better known as welfare reform. It was the culmination of more than two years of fierce battles in the Congress, including two uses of the Presidential veto, and five years of political debate dating back to Clinton's high-profile vow as a candidate to "end welfare as we know it." Even the final version was controversial with three senior administrators of the Department of Health and Human Services, all appointed by Clinton, resigning in protest over what they saw as the overly harsh nature of the new rules.

British observers would be inclined to agree with them. The law imposed a five year lifetime limit on federal cash benefits and made lone parents with children over the age of one subject to mandatory work requirements. What attracted less attention was the way the law devolved significant policy-making authority to the individual states. Previously, the welfare programme – known then as Aid to Families with Dependent Children (AFDC) – was an open-ended "entitlement" programme, under which the federal government paid a majority of the costs of providing benefits to needy families with children. States operated AFDC programmes with some flexibility, such as determining benefit levels, but were subject to numerous federal requirements, many of which were put in place in the 1960s, in part from concerns that southern states were not assisting African-American families. For example, states were generally only allowed to end the adult portion of the benefit if a family failed to follow programme rules – the share for the children continued.

What Happened

The new Temporary Assistance for Needy Families (TANF) programme is a block grant, under which states receive a lump sum each year, no matter the number of families receiving benefits, and can spend the funds in almost any way they wish, provided there is intent to aid families or prevent the need for assistance. Many limitations were totally swept away – for example, states can now end all benefits for families who do not follow programme rules and can choose to do so upon a first infraction.

The result was a wave of innovative policy-making as states designed their own approaches to welfare-to-work programmes. Some emphasize short time limits – Arkansas, for example, provides aid for only two years – while others prefer to promote employment through investing in support, such as childcare, for low-income working lone parents. Minnesota is an example of this latter approach. Some impose quick and total cut-offs for failing to participate; others retain the rule limiting such sanctions to the parents share of benefits. Most built some version of a "work first" model with an emphasis on moving lone parents quickly into the labour market, even if it meant taking a low-wage job. This was consistent with the political emphasis on employment and with evaluation findings suggesting the approach was cost-effective.

During this period, the American economy was in a strong condition, growing by rates such as 4.0% in 1994 and 4.5% in 1997, resulting in a tight labour market. By 2000, the unemployment rate was 4.0%, the lowest since 1969. In addition, the expansion of the Earned Income Tax Credit (EITC) – the closest American equivalent to the Working Tax Credit – in 1990 and 1993 had meant that work was more likely to "pay" at the lower reaches of the labour market.

The combination of these three factors – work-focused welfare reform, strong economy, better financial incentives for low-wage workers – led to a huge movement of lone parents off of benefits. During 1995 there was an average of 4.9 million families receiving traditional monthly cash benefits; by 2001 this was down to an average of 2.1 million families. A radical change in a short time period. It has remained relatively stable since then, during weaker economic times.

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Many of these former recipient families – but not all – had moved into employment. Studies suggested that about two-thirds of those leaving benefits worked, although not always continuously. The situation of the rest was less clear – some appear to be residing in households where someone else, perhaps a partner or a parent, was working; others were simply lost track of in the follow-up studies, perhaps prospering in another state or struggling in a homeless shelter.

And those who entered employment often remained below the poverty line. With increases in the American minimum wage in 1996 and 1997 and the EITC expansions, a full-time working parent would earn more than the poverty line in most cases. This need to "make work pay" was a rhetorical staple of Bill Clinton's and will sound familiar to British ears. However, significant numbers of those who left the benefit rolls for work either worked less than full-time or less than full-year. The American labour market has many part-time or temporary jobs and it may be that for some lone parents this was all they could find. In other cases, instability in their lives, such as a sick or disabled child or domestic abuse from a partner, might make it too difficult to achieve the full-time, full-year employment needed for an income beyond the poverty line. In some cases, it might simply be the result of childcare limitations.

For all these caveats, the progress under PRWORA was remarkable, especially in light of the dire predictions of opponents in 1996. Relatively few families have been cut off by the five year time limit. Most leave the rolls long before that and some states have proved generous with extensions beyond the limit, providing aid with their own funds.

As an overall assessment, consider that the child poverty rate in the U.S. declined from 20.8% in 1995 to 16.3% in 2001. Given widespread predictions of increased child poverty from the new regime, this reduction – combined with the large number of recipients moving to employment – made welfare reform a tremendous success in public and political perception. But the fact that child poverty fell by about one-fifth while the benefits caseload declined by more than half suggests that many who have left the rolls remain in poverty, working or not, and suggests there remains much work to do.

Participation Rates

The new flexibility for states came with conditions. A key condition was that states were required to meet a rising set of specified "participation rates" for those receiving traditional monthly cash benefits. By 2002, 50% of recipients were to be participating in an explicit list of activities, such as paid employment, community service, or looking for work. During consideration of the legislation, it was pointed out that this was an incomplete picture of programme performance and that states should receive credit for those who left benefit completely as well, not just those still on benefit. As a result, the final law included a credit towards the participation rate requirement for states with fewer welfare recipients than in 1996. A 10% lower caseload would provide 10% credit towards the participation requirement, for example.

Failure to achieve the participation rates carries a financial penalty, starting at 5% of the state's federal funding and rising as high as 21% for repeated failures. In addition, states would be required to make up for the lost federal funding with their own funds – a measure intended to prevent benefit cuts to families but which also has the effect of doubling the explicit penalty level. These penalties were sufficiently steep to make state policy-makers focus on avoiding them. There was also the matter of potential bad publicity since a penalty could be perceived as a failure to follow through on the popular reforms.

Participation rate requirements were seen as important in transforming the programme from one of passive provision of benefits to active engagement with recipients – and in conveying to those on benefits that there was no longer, to quote Clinton, "something for nothing." As part of this there is a broad mandate on the population on benefits by including virtually all adults on benefits, not just those with older children or with a partner in the household, in the calculation of the rate.

By 2001 the overall national participation rate was 34%, with all states meeting the participation rate requirement through a combination of participation and credit for lower caseloads. This rate was about triple what it had been in 1996. About two-thirds of the participation was in paid employment, typically part-time work.

Unfortunately, the participation rate, even with the credit for lower caseloads, is not a particularly good measure if one is concerned about outcomes. A participation rate is a process measure. While it may well be better for a welfare recipient to be active, rather than at home, there is certainly no guarantee that participation in an activity means a recipient is on course for self-sufficiency. Attending an inadequate training programme counts just as much towards the requirements as participating in an effective training programme.

The credit for a lower caseload is a weak outcome measure as well. It assumes that it is better for a family not to receive benefits. It does not matter under the credit whether a family leaves welfare for a middle-class job or ends up unemployed and destitute. It also fails to account for the possibility of increased need, such as during an economic downturn, when an effective safety net might involve more families receiving benefits.

To make matters worse, these measures also represent an outdated view of the American welfare system. Because of the spending flexibility states have TANF is more of a funding stream than a traditional benefit programme. States have spent large portions of their funds on childcare and often do so for families who have left benefit to enable them to sustain employment. There is also an increase in “diversion” efforts, which seek to resolve a family’s troubles at the time of application for benefits to avoid the family going on the rolls in the first place. For example, the state may pay to have an auto repaired to help a lone parent stay in employment, instead of providing benefits. Less than half of TANF funds are now used for the traditional form of welfare, the monthly benefit check. TANF spending for childcare has rivalled the amount of funding in the separate federal childcare programme.

The participation rate measures activities only by those on benefits, meaning a state with an effective effort to support former recipients in work or to redirect applicants into employment instead of benefits would see no direct participation rate credit for these elements of TANF. Yet most Americans would agree that an employed lone parent with childcare assistance is a better outcome than a lone parent on benefits and looking for employment or participating in community service. The participation rate measure prefers the latter.

The credit for a lower caseload at least potentially accounts for the positive outcome of leaving benefits. However, it too contains perverse incentives. A state would receive the same credit from refusing assistance to family altogether as it would from extending childcare aid to maintain employment. It rewards all states who “say no,” not just those who say “no, but have this instead,” and pays no attention to the family’s situation beyond the fact that they are not on benefit. A better measure would provide states credit only for positive outcomes.

Reauthorization

The 1996 law expired in 2002. It needed, in Washington parlance, to be "reauthorized." This is a common practice to force periodic reviews of programmes beyond the annual task of setting funding levels. For example, the Head Start programme, the closest American equivalent of Sure Start, is reauthorized by new legislation every five years or so. The reauthorization was the first important federal consideration of the 1996 law and what elements should be continued and which should be altered. It was a chance for federal policy-makers to review what states had done with their new flexibility.

One side-effect of the goal of American welfare reform being defined as "ending welfare as we know it" was uncertainty about what to do next. It was a goal clearer on what was not wanted and less helpful on what should be built in its stead. As a result, formulating a better outcome measure is more challenging.

As part of the reauthorization effort, proposals were put forward to move towards different outcome measures. The Senate version of the reauthorization legislation would substitute an "employment credit" for the credit for a lower caseload. This would provide states with credit towards the participation rates for former recipients who are now employed. A state which operated a good welfare-to-work programme could, in effect, count former recipients now in the workforce for several months after they left benefits. This is a clearer positive outcome than that provided by the credit for a lower caseload since a state would no longer receive credit merely for helping fewer families, no matter their circumstances. However, conservatives objected to it, since they believe it provides an insufficient credit for states which make it difficult for applicants to go on to benefits, since there would only be credit for former recipients not for families who never go on benefits at all.

Some on the left proposed providing states which reduce child poverty with a financial bonus. A bonus is less likely to drive state behaviour than a financial penalty since some states may choose to ignore the additional funds being offered. However, states opposed being held accountable for their rates of child poverty – something they argued was in large part driven by broader economic trends and federal tax policy. Still, as long as it was a bonus, not a financial penalty, state opposition was muted.

The proposal for a poverty reduction bonus was pushed out of the debate when the Bush Administration put forward its reauthorization measure in early 2002. It involves a heavy focus on the participation rates, with higher rate targets – escalating to 70% over five years -- as well as longer hours of participation required. (The current rule is 30 hours of participation per week to count towards the requirement, with mothers of children under six facing a 20 hour requirement. The Bush proposal was 40 hours per week for both types of parents.) It also revised the list of countable activities to narrow it for the initial 24 hours of participation per week and expand it for the last 16 hours. This represented an attempt to push states to implement broad community service requirements on benefit recipients for at least three days a week, an approach most states have ignored in favour of a focus on job search.

As a result of the Bush proposal, the debate focused on the current participation rate structure – on what activities should count and for how long – rather than on developing improved outcome measures for welfare reform. This debate, compounded by severe disagreements over the appropriate amount of funding for childcare, has yet to be resolved, leading to a series of short-term extensions of the current rules. (I was heavily involved in this Congressional stalemate, including drafting the Senate's 2002 version of a reauthorization bill as well as the Democratic alternative measure in 2003.) At this writing it is considered unlikely the reauthorization will be completed prior to the November election, although it is still possible. The House of Representatives has approved a measure close to the Bush plan in 2002 and 2003. The Senate, with its procedural requirements giving the minority and dissenters more power, has been unable to finish work on any bill.

My project grows out of frustration with this stalemate. In retrospect, it seems obvious that a project best defined as "ending welfare as we know it" could run out of steam once that goal had been decisively achieved. This left a vacuum. Since the defined problem had been solved, at least from a political perspective, there was little impetus to move to a new range of initiatives. Inertia was the result, worsened by narrow partisan divisions in Washington. Meanwhile, states have generally continued along their initial policy trajectories, with changes tending to result from budget cutbacks due to a weak American economy as much as anything else. Yet 2 million American families remain on benefit and many more are part of the pool of "working poor" struggling to raise their children on relatively little.

What now? Surely, there are better outcome measures for a welfare programme than what the US currently uses. The original notion that participation rates are needed to change the programme's culture is no longer relevant – the programme is different. Are there clear goals that can be used to drive policy in a devolved setting to get at the problems remaining? Are there measures which could better capture a family's circumstances and whether they have improved or not?

The United Kingdom

Blair's "Remarkable Pledge"

The Pledge

Meanwhile, the British Prime Minister was setting an ambitious goal for the UK. At Oxford on March 18, 1999, Tony Blair declared:

"And I will set our historic aim that ours is the first generation to end child poverty forever, and it will take a generation. It is a 20-year mission but I believe it can be done."

On its face, this goal is better targeted than Clinton's "end welfare as we know it." Clinton proposed ending a failed *programme*; Blair a social *problem*. One was aimed at a policy instrument; the other at the condition which inspired the creation of the instrument. Tony Blair had put out a positive aspirational target – a country without poor children -- and a rather bold one at that. It was, as Polly Toynbee termed it, a "remarkable" pledge.[1]

I was interested to see what could be learned from efforts towards this different goal, particularly as it interacts with devolution, given that the American anti-poverty policy context contains such a strong element of devolution.

Beveridge

Prime Minister Blair's child poverty pledge was made in a setting which emphasized a connection to British social policy history, a lecture marking the achievements of William Beveridge, the architect of the post-war British welfare state. In 1942, Beveridge released a plan to "slay" five core social problems of "Want, Disease, Ignorance, Squalor, and Idleness." It set out the design of a comprehensive network of social insurance and benefits. It was also a sensation:

"The Stationary Office put 70,000 copies on sale on 2 December, and with queues running around the block, had sold out by lunch time. Soon, over 600,000 copies were sold, and the 'people's William' was a national hero."[2]

As a public policy professional I feel a touch of envy at such an achievement. Perhaps it says something about modern government and society that the only such public reports to attract similar attention today involve potential wrong-doing, such as the Hutton inquiry or Ken Starr's investigation of President Clinton.

In the middle of World War II the Beveridge report offered a glimpse of what the UK could be, once the fighting was over. The post-war Labour government of Clement Atlee moved quickly to implement the plan and to construct a broad welfare state.

In his 1999 speech Blair reminded listeners of Beveridge's achievements and then offered his assessment of how to renew Beveridge's plan for the 21st century so that it could account for social changes such as the rise in paid employment among women and the greater longevity we enjoy. It was important, the Prime Minister declared, to "make the welfare state popular" again. Over the years, Britons had become dubious of elements of Beveridge's design, he argued. It was his mission, as a Labour Prime Minister, to address these concerns to maintain support for the welfare state:

"For if people lose faith in welfare's ability to deliver, then politicians have an impossible job persuading hard-pressed taxpayers that their money should go on a system that is not working. If all welfare – the good spending as well as the bad – becomes stigmatized, then the security of children, the disabled, pensioners, is put at risk."

One example was an effort to move those on benefit into employment, much as Bill Clinton's "end welfare as we know it" vow sought to reassure middle America that the benefit system was not going to allow able people to avoid work.

It is as part of this vision to restore faith in the welfare state the Prime Minister offered his pledge to end child poverty. Success in such an endeavour would then bolster support for the welfare state – and perhaps even its popularity – by showing that government action could make a difference.

As a substantive matter, the Prime Minister also put eradicating child poverty as part of improving the ability of Britain to compete economically:

"If the knowledge economy is an aim, then work, skill and above all investing in children, become essential aims of welfare."

Here he was looking towards evidence that experiencing poverty as a child is detrimental to long-term development. For example, an assessment of data from large-scale UK surveys found that:

"Young adults who as children suffered financial hardship…have significantly greater than average chances of earning low wages, being unemployed, spending time in prison (men) or becoming a lone parent (women). These associations exist independently of socio-economic background or experiences in early childhood. They are only partly accounted for by lower educational attainment."[3]

European Context

The European Union (EU) had also become interested in poverty and "social exclusion." The Amsterdam Treaty of 1997 made "combating social exclusion" an official goal of the EU. This was followed by the Lisbon Summit of 2000, where the European Council agreed to make a "decisive impact" on poverty and social exclusion by 2010. No unitary policy agenda was adopted as part of this. Instead, an "open method of coordination" was decided upon, which commits members to make progress in their own way and to submit regular national "action plans" describing their strategies. For purposes of monitoring, the Laeken European Council endorsed a set of "primary and secondary" statistical indicators in December 2001, including a relative poverty measure (by age group). However, an explicit target of halving child poverty by 2010 – similar to the current U.K. target – was rejected in Lisbon in 2000.

The Republic of Ireland has also been actively engaged in reducing poverty. It adopted a National Anti-Poverty Strategy in 1997. The Irish defined poverty in terms of being "consistently poor" and aimed to reduce the rate of such poverty from 9-15% to less than 5-10%. The strategy included an emphasis on employment – and significant progress was made on this during the brisk economic growth Ireland experienced in the late 1990s. So much so that the poverty target was quickly achieved – with a "consistent" poverty rate of 5.5% in 2000.

Political Context

The child poverty pledge was not just remarkable in its boldness – it was remarkable because it was a surprise. The 1997 Labour party campaign manifesto did not include the pledge. Instead, it vowed to "promote personal prosperity for all" and to be "the party of welfare reform." It also declared that "the best way to tackle poverty is to help people into jobs – real jobs." There was a specific promise to move 250,000 "young unemployed off benefit and into work." In power, the Labour government had even continued a Conservative plan to phase-out additional benefits for lone parents.

The pledge was not a case of pre-empting an issue raised by another party. Neither the Conservatives nor Liberal Democrats had addressed the issue of child poverty in their respective 1997 manifestos. The Conservatives focused on "welfare into work" measures and declared an aim to "spread opportunity for all to succeed, whoever they are and wherever they come from, provided they are prepared to work hard." The Liberal Democrats, like Labour, supported efforts to move people off of benefits and into work. They supported "breaking the poverty trap" through helping the "long-term unemployed" in to employment and vowed to "modernize Britain's welfare system." They did not call for an end to child poverty.

After Blair's Beveridge lecture, the child poverty pledge was integrated into the Labour party agenda. The 2001 Labour manifesto declared "…our ten-year goal is to halve child poverty, ending it in a generation." In addition, the goal was to make a child poverty eradication vow a political "litmus test" for other parties – to embed the policy agenda sufficiently in the public discourse that should another government take power in the future it would be compelled to continue to pursue the goal.

The Liberal Democrats appear to have accepted a focus on poverty, though they prefer a different definition and criticize some of Labour's measures. Their 2001 manifesto declared that "we recognize that there are many theatres in the war against poverty. Our success in tackling poverty in Britain would be measured by a 'Quality of Life Index'." They propose higher benefits for families on long-term income support and vow to "abolish the excessive benefit sanctions brought in under the New Deal." They do not explicitly pledge to end child poverty, however.

More importantly, given they are the more likely opposition party to take power; the Conservatives have not yet officially joined the other parties in addressing poverty. Their 2001 manifesto continues to focus on employment efforts for those on benefits. For example, they vow to "replace the failing New Deal with Britain Works and contract out the job-finding work of the Employment Service."

There are some Conservatives paying attention to the poverty debate. In September 2002, then Tory leader Iain Duncan Smith gave a speech also echoing Beveridge, setting out five priorities, including child poverty. He criticised the Blair pledge for being "one-dimensional" for its focus on financial poverty and being "morally neutral" about the family but offered little in the way of a strategy of his own.[4] In June 2004 he announced plans for a new "Centre for Social Justice" to address poverty policies and community development. Nicholas Hillman, a Conservative adviser, contributed a commentary to the Rowntree Foundation's *Overcoming Disadvantage* volume expressing concerns about the reliance on means testing in benefit programmes and the complexity of the new tax credit structure. In comments to the Social Policy Association in July 2004, shadow minister for Work and Pensions David Willets offered a similar critique, terming the integration of tax and benefit systems a "disaster."[5]

So it is possible that come the next election, which is expected in 2005, the Tory manifesto will include some policy positions related to child poverty. My guess is they are more likely to point to implementation problems in the Labour initiatives but to stop short of criticizing the child poverty goal. Still, if they too were to pledge to end child poverty in their own preferred way then the litmus test goal will have been achieved and one could say there is a political consensus in the United Kingdom to end child poverty. If not, it will remain for Labour – and other supportive groups on the outside – to keep trying to make it a litmus test.

Devolution

Background

At the same time, and for entirely unrelated reasons, the UK was engaged in a devolution project of its own. After decades of intermittent discussions, both Scotland and Wales received legislative bodies following approval of devolution in referendums. And following a delicate set of negotiations leading to the "Good Friday" Agreement, Northern Ireland also gained a devolved government of its own again after nearly three decades of rule from London as a result of "the Troubles."

The Scottish Parliament reopened – after nearly three centuries – on July 1, 1999. Under devolution, the Scottish government has authority over health, education, and economic regeneration programmes, while taxation and employment policies are primarily "reserved" to the UK government. For example, the Scottish government can vary income tax rates but only by up to 3%, a power it has yet to exercise. When it comes to schools, however, the Scottish government can do largely what it wishes, such as choosing not to implement "top up" fees at universities.

The National Assembly for Wales, inaugurated on July 1, 1999 as well, has less authority than the Scottish Parliament as it can only allocate funds it is provided by the UK government. It cannot enact its own primary legislation and must continue to rely on Parliament in London for that. The Assembly does exercise administrative authority over a variety of policies, such as education and health. The lesser authority may be because Scottish devolution was built on a stronger tradition of distinct policies since under the original terms of union Scotland had maintained separate education and justice systems. Scotland also had a longer history as a unitary polity than Wales, prior to incorporation into the UK.

The Northern Ireland Assembly began on December 2, 1999, an unsteady coalition of unionist and nationalist parties. It had responsibility for similar services, such as education and housing. However, following controversies over compliance with the requirements of the Good Friday Agreement, devolution was suspended as of October 14, 2002. Efforts continue to restore the authority but it remains uncertain when, or even if, it will resume.

The Pledge in Devolved Areas

Scotland

The Blair pledge has reverberated through the policy discussions in the devolved areas. One argument for devolution was that London had ignored the problems in their communities, such as poverty, in a way a devolved government would not. As John Adams of the Institute for Public Policy Research North wrote (about Scottish devolution):

"Many of those who campaigned for devolution did so because they felt it would play an important role in the pursuit of social justice."[6]

Scotland was quick to second the vow to end child poverty. As Donald Dewar, the first First Minister put it: "Above all we wish to make child poverty a thing of the past within a generation."[7]

The new Scottish Executive put forward a broad "social justice" agenda. The goal of ending child poverty was incorporated into this Scottish platform. As the *Closing the Opportunity Gap* document on the Scottish budget for 2003-6 puts it: "child poverty is unacceptable and must be eradicated."

In part, of course, this is political synchronicity. Both the UK and the new Scottish government were being run by Labour – not just Labour but New Labour even -- and one can expect similar approaches to governing. The Liberal Democrats have been part of a coalition with Labour in Scotland but, as we saw, they are not unsympathetic to efforts in "the war on poverty."

But it may not be solely political similarities which led to Scotland adopting the UK goal. The Scottish National Party's (SNP) manifesto from 1999 is instructive. It calls for an "anti-poverty strategy," declaring that "poverty is endemic through much of Scotland." Economic hardship, exemplified by poverty, is a rationale for moving power to Edinburgh and, for the SNP, Scottish independence. A Labour government in Scotland was likely to address poverty anyway but such pressure from a rival party reinforces that inclination.

Wales and Northern Ireland

The Welsh, on the other hand, have been more cautious. Attention to social justice issues did not immediately translate into a focus on child poverty. In their initial post-devolution policies they did not explicitly pledge to end child poverty in Wales. The Welsh Labour Party's initial campaign manifesto, from 1999, talks of "tackling low pay and poverty" but suggests doing so through UK Labour party initiatives like the minimum wage, New Deals, and tax credits – measures not within the scope of the National Assembly.

Plaid Cymru, the Welsh nationalist party, on the other hand, vowed in its 1999 manifesto to produce a "national anti-poverty strategy, working through local councils." They also declare that "we see an important opportunity for the National Assembly to challenge the right-wing views that currently dominate London politics." (This statement was made under Tony Blair's "new Labour," which may suggest something of the political culture of Wales.) Similar to the SNP view in Scotland, it seems that poverty represents the sort of problem they argue would receive more attention from local power in Cardiff.

This Welsh caution may be because Cardiff has less authority than Edinburgh. The Welsh may well have felt less directly responsible for child poverty policy as a result. Witness the 1999 Labour manifesto echoing UK Labour initiatives. The political situation in Cardiff has also been complicated, with Labour in the lead in the National Assembly but often not by much.

The Northern Ireland Assembly, while in power, also did not adopt a goal of ending child poverty in a generation. The political context in Northern Ireland is such that it is difficult to escape the sectarian divide. In the other devolved areas, regional parties – the SNP and Plaid Cymru – function as important additional elements in a context which otherwise looks much like the general British political environment of Labour, Conservative, and Liberal Democrat. In Northern Ireland, the main British parties are minor players and local parties such as the Ulster Unionist Party (UUP) and Social Democratic and Labour Party (SDLP) dominate elections.

As such, all issues tend to be viewed through the particular Northern Irish context, more so than in Scotland and Wales. In Belfast, a focus on aiding the disadvantaged, such as through reducing child poverty, has the potential to be seen as calling for additional help for the Catholic part of the community, as "cash for Catholics" instead of a broad initiative to help the community as a whole. As an American, I found the discussion strangely familiar since our political debate about poverty is often dogged by a perception that anti-poverty proposals are somehow "pro-black" or "pro-minority."

Perhaps this is context is understandable when the unemployment rate, while much lower than a decade ago, remains twice as high for Catholics as for Protestants. In the 2003 election manifestos it was John Hume's SDLP, an Irish nationalist party, which proposed to have a "target to reduce child poverty as part of the anti-poverty strategy…" David Trimble's UUP, a unionist party, only proposed to "expand nursery schools" and to establish a Children's Commissioner. In such a divided environment, dominated by the implementation of the Good Friday Agreement, it is not that surprising the short-lived government did not find the time to focus on child poverty.

Defining Poverty

Background

But what exactly does it mean to "eradicate child poverty"? To be more than rhetoric, the goal must be defined and be measurable. The US has had an official definition of income poverty since the 1960s, which is used every year by the Census to estimate the number of Americans in poverty, including children. The Department of Health and Human Services uses the income levels from Census to establish thresholds for use in various eligibility tests throughout federal programmes. If an American President made a declaration similar to Blair's it would be assumed he was using that common definition of poverty.

The American poverty definition is widely recognized to have shortcomings within the policy community – an expert panel in the mid-1990s suggested several changes – but the perception of political fiddling which could accompany alterations has meant it has remained the same. To alter a definition in use for three decades involves overcoming significant inertia.

The Census has adjusted their surveys to provide some of the improvements the expert panel sought and now offers alternative measures for use by researchers. These alternatives involve counting income and expenses in different ways, which might better capture the effects of government programmes and differences in the regional cost of living.

In the UK, however, there was not a poverty measure so well embedded in policy and political terms. The Prime Minister's pledge has led to a more conceptual discussion of what it means to be poor in the context of defining the goal of ending child poverty. And just as the problem of poverty is hardly a new one – references to poverty are scattered throughout the Bible, such as an admonition in Proverbs to "defend the rights of the poor and needy" –

these definitional debates go back a long way as well, often involving attempts to determine a minimum set of goods one must have to not be considered poor.

For example, Adam Smith, the Scottish father of modern economics, suggested the following definition of a minimum of "necessaries" in 1776:

"By necessaries, I understand not only the commodities which are indispensably necessary for the support of life but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without…in the present time a creditable day labourer would be ashamed to appear in public without a linen shirt."[8]

In other words, if you did not have a linen shirt, you were poor. Much more recently, leading British scholar Peter Townsend suggested this definition of poverty as being deprived when one could not muster:

"[t]he resources to obtain types of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies to which they belong."[9]

While helpful, such definitions are difficult to quantify, a necessary step if a government is to assess the extent of poverty and how it changes over time. Attempts to measure poverty often fall into one of two types – absolute and relative standards.

Absolute Poverty

Under an absolute measure, some bare minimum of income is calculated which is thought necessary to avoid the state of "poverty." For Adam Smith it would have meant listing the "commodities" necessary for life and "custom" and then estimating their cost. Those with an income below this amount would be poor. The American poverty definition is based, originally, on estimates of the costs of a minimally adequate budget for food expenditures and the relative share of those food costs within the budget of a low-income family. The costs of this food budget were then multiplied to produce an overall income minimum. Since it was established in the 1960s the resulting income minimum has been uprated each year by price inflation. The threshold is adjusted to account for varying household compositions, such as the number of adults and children and the ages of family members.

In 2002, for example, a stereotypical family of four with two adults and two children was in poverty with an annual income below $18,660. (Given the strength of the pound against the dollar this summer this translates into about £200 per week. In previous years it would have been more like £240 per week.) More than 12 million American children were in poverty by this definition in 2002.

Relative Poverty

Poverty can also be defined, more like Townsend was proposing, as having less than is necessary to participate in one's society. In this approach, the income needed to avoid poverty is relative to those of others in society. The resulting poverty line is no longer a simple bare minimum. Instead, it is the bare minimum in relation to what others have – the goal is to not be too far behind everyone else. Not just a linen shirt, perhaps, but more than one, should others have a full closet. The EU uses such a measure. For EU statistical purposes, a family is poor when it has an income below 60% of the median income in the country, also with adjustments for family size. (The median income is used instead of the average income to reduce potential distortions from households with very high income levels. See endnote for details.[10]) In 2002/3 in the United Kingdom a family of four, with two children aged five and eleven, was poor on this measure with a weekly income below £283, before housing costs. On an annual basis, this threshold was £14,716.

There is an important philosophical distinction involved between absolute and relative poverty. Is it enough to provide a simple set of necessities to be able to say a child is not poor? Or is the condition of being poor dependent on not falling too far behind everyone else? American society is known for its willingness to tolerate a more unequal distribution of income than European societies. It should come as little surprise that the notion of relative poverty is rarely discussed and that the definition of poverty is based upon a minimal standard, albeit of an old and likely out of date calculation.

Other Issues

Another issue is the use of income as a proxy for poverty, seeing it as the best way to measure the ability of a family to capture resources. There is, after all, no guarantee that the income will be spent in a way that achieves a non-poor outcome. A family with an annual income of £15,000 and a family head with a gambling addiction may well be worse off than a family with an income of £12,000 and no such addiction. Yet the first family is not probably not poor in Britain by the EU definition cited above while the second one is likely is.

An alternative is to identify the specific items needed to avoid poverty and test to what extent families have them. Is there a "basket of goods" which can be developed, the lack of which would measure poverty in terms of being deprived of necessities? The American definition began life as the nutrition elements of a basket translated into an income amount. The initial challenge of defining the basket of goods is tremendous and the further task of accurately surveying to determine how many families actually have its components then compounds the problem. It is much simpler to survey for income, as has become common governmental practice.

In the Beveridge lecture, Tony Blair did not discuss these sorts of definitional issues. As one would expect of a political leader, he said inspirational things like:

"Poverty should not be a birthright. Being poor should not be a life sentence. We need to sow the seeds of ambition in the young."

He did set as an initial goal that 700,000 children would be removed from poverty by the end of the Parliament. But the exact definition of child poverty was left open.

The Public Service Agreement

The initial lack of clarity was resolved by the announcement of a Public Service Agreement (PSA) target that child poverty would be reduced by one-quarter by 2004/5 as measured by the 60% of median income threshold, before and after housing costs were taken into account. In 1998/9 there were 4.2 million British children in poverty on an after housing costs measure; 3.1 million on a before housing costs measure. The PSA target meant that by

2004/5 about 1 million fewer children should be in poverty on the after housing costs measure and about 800,000 fewer on the before housing costs measure, similar in magnitude to what the Prime Minister originally suggested.

The PSAs are an important part of the New Labour approach to governing by setting a multitude of specific targets across the government. Examples of other relevant PSA targets include reducing the proportion of children living in workless households and increasing the employment rate of people with disabilities. To an American observer, these speak to a more managerial approach to government than the US has, at least at the federal level. The Clinton Administration, which had kindred political and philosophical tendencies to New Labour, talked of "reinventing government" but rarely went to such high-profile target setting. Instead, it tended to focus on importing private sector methods into government and rooting out waste and fraud. I suspect that the division of powers in Washington makes the American executive branch, no matter who is in the White House, more wary of making tangible measurable promises when there is greater uncertainty if it will be able to carry through its chosen policies to achieve them. This is especially true when the Congress is controlled by a different party than the White House.

In the new context of devolution, a PSA target may be limited to England – such as reducing conceptions among teenage girls – or it may rely on the help of devolved areas – such as the child poverty target, which includes Scotland and Wales. The child poverty PSA does not include Northern Ireland, although this is attributed to Northern Ireland data not being collected in the chosen survey instrument, not a decision to exclude a devolved area. With changes to the survey in the works, it may be possible to include Northern Ireland in future PSAs related to child poverty.

The Consultation

The PSA only covered the initial quarter of the long-range goal. This left open whether the same measure would be used to judge whether child poverty had actually been eradicated by 2020. For example, ministers sometimes cited figures based on a before housing cost basis and sometimes based on an after housing cost basis. Eventually, the Department of Work and Pensions (DWP) announced in April 2002, three years after Blair's original pledge, a consultation process on the best way to measure child poverty.

The consultation offered "four different approaches to monitoring progress":

1) "Using a small number of multi-dimensional headline indications, such as those already highlighted in *Opportunity for all* to track improvements in different aspects of child poverty, for example low income, worklessness, education, health and housing;
2) Constructing an index that combines a small number of headline indicators to produce a single figure to track progress;
3) Using a headline measure of 'consistent poverty' – similar to the approach in Ireland – that combines relative low income and material deprivation; and
4) Using a core set of indicators of low income and 'consistent poverty'."[11]

The government solicited a wide range of comments on these options.

The Government's Conclusions

A preliminary report was published in May 2003, which stated that the consultation process so far had produced little support for a child poverty index and that income should be central to the definition but was not sufficient by itself. The final announcement was only made in December, 2003 – nearly five years after the Prime Minister's original speech offering the pledge, and to little fanfare. The end result was a measure that was both more complicated and comprehensive than that used for the initial PSA target. It incorporates three "tiers" – absolute and relative measures plus an index of deprivation. More specifically:

- *"Absolute Low Income."* This is the number of children living in families below a fixed threshold, which is uprated each year for inflation. The standard was set at the income level which represented 60 per cent of the median income in 1998/99. For example, in 2002/3 price terms, an only child under 14 living with a couple would be poor with a household income below £207 per week (or £10,764 on an annual basis).
- *"Relative Low Income."* This is the number of children living in families with household incomes below 60 per cent of current median income, before housing costs. In 2002/03, for example, an only child under 14 living with a couple would be poor with a household income of £234 per week (or £12,168 annual income). Note that this is already 13% higher than the absolute standard in just four years, a sign of steady growth in median income.
- *"Material Deprivation."* This is the number of children living in households that are both 'materially deprived' and have an income below 70% of the median income. The inclusion of the 70% of median income component is intended to exclude families able to afford the items but who have chosen not to do so. The specific measures of "material deprivation" are still under development. They could include being unable to have celebrations on special occasions (such as birthdays) or being unable to go on school trips at least once a term.

This three-part approach has the potential to capture a deeper picture of poverty. Unfortunately, it loses the clarity of a single headline measure such as the US uses.

There is also a statement about what the end goal of "eradication" means with the three tiers. Most observers had assumed that ending child poverty involved a poverty rate of 0% or something quite close to it. The DWP paper states that "success in eradicating child poverty could, then, be interpreted as having a material deprivation child poverty rate that approached zero and being among the best in Europe on relative low incomes."

There was also this comment from Andrew Smith, the Secretary of State for Work and Pensions in January 2004 when asked by a member of the Select Committee about what he understood the "eradication" of child poverty to mean:

"Well, we are not close to eradicating it yet, but I think it is meaningful, applying our proposed measure, to see the number of children who are both below the 70 per cent of median income relative component and material deprivation, to see that figure approach zero."

So the goal now appears to be to eradicate material deprivation – however it comes to be defined – and to match the best in Europe on the relative poverty measure, which may be quite close to zero by 2020 but which is currently in the 5-10% range.

Comments

There is much to comment on here. The measure of material deprivation is new and has the potential to shape public discussion. Alternatively, it could prove to be of little use and ignored. In affluent societies like the US and UK the specific implications of being poor are often little understood by the middle class. Charities advertise the need to aid the poor in the developing world to ensure they have food in times of famine. In our globally connected communities it is this type of poverty which may be how many understand poverty, not how the poor in their own region experience deprivation. A survey for Barnardo's in 2003 found that about 1/3 of Britons thought the child poverty rate of the UK was 2% or less and that another 1/3 estimated it was 10%. Only 14% chose 33%, which is much closer to the correct rate on a relative measure.[12] If one thinks of child poverty as the hardships seen in the worst-off areas of the developing world this is understandable. The consequences of an income "below 60% of the median" are not immediately clear. In fact, few have any notion how much income this represents in the first place. It is difficult to be moved by a statistic one does not understand.

The material deprivation measure could capture the details of living in poverty in the UK in a way which boosts public understanding and commitment. If, hypothetically, 15% of British children are found to be lacking a warm coat then the winter may seem colder for everyone. Or if, hypothetically, 18% of British children don't have fresh fruit or vegetables to eat then the notion that there is a type of hunger in the UK, not just in Africa, may become more real. Voluntary organizations who seek to motivate the public could find these types of statistics enormously helpful in their educational campaigns.

In the same December 2000 speech where Chancellor Gordon Brown called child poverty "a scar on Britain's soul" he talked of the need to "never again" have British children:

"…without nutrition, living in homes without heat, attending schools without proper books, in inner cities without hope."

This paints a vivid portrait of poverty but it is of a rather absolute nature. He does not speak of children unable to go on school trips or to go swimming from time to time. It is a vision of poverty more in tune with how the public understands the problem at present.

There is a risk here. The components of the deprivation measures have to persuade the public of their seriousness. In the US, for example, the idea that some children are not able to swim regularly would be seen as trivial. Conservative talk shows would have a field day with jokes about the government providing backyard swimming pools throughout the land. There would be a stronger positive response to measures reflecting problems like the Chancellor pointed towards – children without nutrition or living in homes without heat.

This raises another issue. Are these specific items meant to signal "necessaries" as Adam Smith put it? If so, shouldn't they be things the government could or should directly facilitate access to? If the government is concerned about children being unable to go on holiday then perhaps the government should fund trips to holiday camps for poor children. Grants for school uniforms can be understood in this way.

If, on the other hand, these indicators are just that – indicators – of a type of persistent poverty not necessarily captured by income-based measures then it will be important to make that clearly understood. If this is the case, the pertinent matter is not that the child does not have a coat but that there is a connection between being in a family which cannot manage to provide a coat and a family which is experiencing severe and persistent poverty. If this is not communicated, the press and public will tend to seize on the specific indicators as representing the problem in need of solution, not the broader severe poverty of the family.

My main comment on the absolute measure is its arbitrary nature. Perhaps this is unavoidable. It is effectively a baseline measure – in 1998/9 this was considered poor. There was no attempt, as was done originally in the US, to estimate an absolute income level below which one is poor on the basis of a real budget or set of goods. Such a measure might have more resonance. Some voluntary organizations in the UK would like such a calculation but the government has resisted it, perhaps out of fear it would lead to calls for higher benefit levels, especially for pensioners.

That said, the measure is already a retrospective one and such an effort would have perhaps detracted from the EU-style relative measure. Using a snapshot version of the relative measure may provide more consistency. The material deprivation measure may well capture similar information in a way that is more meaningful to the public and become a de facto absolute poverty measure. And the US measure has lost its original basis over the decades anyhow.

As part of announcing the new measure, the government also made two changes from previous poverty measures, one to use only a measure of income before housing costs are taken into account and the other to use a different equivalence measure to adjust the thresholds for varying household types. Both, it was argued, were made so that the UK was using EU measures. However, many argue that a standard using income after housing costs is a more accurate picture of a family's situation because some British families, especially those living in London, have abnormally high housing costs affecting their living standards. Using a before housing costs measure has the effect of reducing the number of poor children in the UK by about 1 million in 2002/03. (As a side note, this seems to illustrate a considerable number of families experiencing high housing costs in general.)

The government has argued that a before housing costs measure is more consistent with the EU, which is the case. However, I was advised by one academic expert that this is primarily due to limitations in the EU survey data, not a policy choice, and that the relevant UK data is available – after all, an after housing costs measure is part of the original PSA target.

The larger question was whether the government was trying to make the goal easier to meet by defining fewer children as poor. The End Child Poverty Campaign, a coalition of leading UK children's charities, said about the new definition:

"The government has made an historic and admirable commitment to end child poverty within a generation. But it needs to meet that commitment by truly removing children from poverty not just removing them from the statistics."[13]

This concern about the government aiming for a less ambitious goal was heightened by the suggestion that the goal was to be among the best in Europe on relative poverty. While still a huge challenge, it is does not necessarily sound like "eradication" to some observers.

A more technical change involves the standard practice in assessing poverty of "equivalizing" income to reflect different household compositions. It is self-evident that a single thirty-year old man and a couple with four children have quite different living expenses. So incomes can be "equivalized" to account for the difference in cost. A less noticed change in the final definition was to move from using the McClements scale to the modified OECD scale. The government has said this shift is also to better align with EU practice. The expert community also appears to consider the modified OECD scale as giving a more appropriate weight to the costs of very young children. The shift actually increases the number of poor children by about 300,000 in 2002/03, providing some evidence the changes are not solely driven by a desire to move the goalposts.

The end result of these changes is that an estimated 2.9 million children were poor in the UK in 2002/03 by the definition of relative poverty the government will use to measure success by 2020.[14] The number of children poor by the material deprivation measure remains unknown until more is announced about how it is to be calculated.

Surveying this extended process, it has deepened knowledge of how poverty can be defined beyond the small circle of academic experts. One member of the voluntary community said that while beforehand he would have been hard-pressed to explain the distinction between absolute and relative poverty that now he is capable of "boring" on the subject. Still, the flap over the role of housing costs as well as the apparent shift to a relative poverty goal of being "among the best in Europe" has led to an unfortunate perception of the government looking to make its bold pledge a bit less bold.

In July 2004 the Chancellor indicated the next PSA targets would include halving relative child poverty – presumably on the before housing costs measure – and material deprivation by 2010. This suggests continued ambition on the part of the government. However, until the details of the material deprivation measure are known it is hard to assess how high the government is really aiming.

Devolved Areas

Scotland endorsed the goal of eradicating child poverty. The Executive also initially talked of lifting 100,000 Scottish children out of poverty through the efforts of the UK government.[15] It has been using indicators for measuring the reduction of child poverty on both a relative and absolute basis.

There have been almost annual discussions of whether progress is being made, with the Executive often putting the emphasis on the progress against absolute poverty while opposition parties and voluntary organizations point towards the slower progress in reducing relative poverty.

To date the Welsh have not adopted PSA-style targets for child poverty. They have been tracking indicators such as the number of people participating in "modern apprenticeship" schemes and whether employment leaks are rising overall and for specific populations of concern, such as ethnic minorities. This could change with the recent task group report recommendations to focus on poverty reduction.

Northern Ireland did not promulgate PSA-style targets for child poverty either. As part of the recently proposed Northern Ireland Anti-Poverty Strategy, three types of poverty – absolute, relative, and "persistent" – would be tracked. The target is to reduce the levels each year, with a long-run objective of ending child poverty.

I suspect, though it is hard to get confirmation of this, that the primary reason the devolved areas have been hesitant to adopt PSA-style targets for child poverty reduction is the notion that the most important tools for achieving progress remain reserved to the UK government, especially the tax credits. Ministers naturally prefer to set targets which can be achieved through resources they control and departments they oversee, such as education and health. Why make promises in Edinburgh and in Cardiff when the relevant power remains in London? You are not responsible. You may agree with the long-term goal and say as much. But you will aim for more intermediate goals which you can affect with your policy tools. Devolution requires thinking through such issues of responsibility.

The Strategy

The UK Government

The Prime Minister set out the goal and we now know better how it will be defined. But how will the United Kingdom get there? How will Scotland get there? What is the strategy? DWP explains it in this way in a memorandum to the Select Committee:

"…the essential elements of the Government's strategy are therefore:

-- To enable poor families to increase their incomes and to share in the rising national prosperity through participation in the labour market;
-- To support the incomes of poor families in and out of work and to promote their financial security and well-being;
-- To break the cycle of deprivation by ensuring that early years support and schools equip children from poor families to benefit from education and to prosper as adults;
-- To ensure that public services deliver high quality outcomes for poor families; and
-- To support parents so that they can provide better support for their children."[16]

I would break these elements down into the following policies:

Promoting Work

Evident to everyone is the emphasis on work as a route of poverty. If the parents of children living in poverty become employed then the children would become less likely to be poor. The government has put in place a series of "New Deal" programmes aimed at moving various types of benefits recipients – lone parents, young people, the disabled etc – into employment. An early emphasis was on the New Deal for Young People. Recall that the 1997 Labour manifesto pledged to move 250,000 "young unemployed off benefit and into work."

There are separate goals for reducing the number of households where no adult works and for increasing the labour force participation of lone parents (up to 70%). The New Deal for Lone Parents involves mandatory "work focused interviews." Additional activities are voluntary, unlike in the US where lone parents are subject to mandatory participation requirements.

In addition, there are efforts to promote economic regeneration of deprived areas, which could increase the supply of jobs available to those living in poverty. In England, there is the New Deal for Communities. About £2 billion has been allocated among 39 local partnerships for collaborative efforts to improve job opportunities, reduce crime, improve educational attainment, address poor health and problems with housing and other problems in the physical environment of the neighbourhoods. There is also a Neighbourhood Renewal Unit within the Office of the Deputy Prime Minister, which administers around £3 billion in funding.

A key barrier to employment, particularly for lone parents, is childcare. The availability of childcare in the UK was generally considered to be less than that of most European countries when the Labour government took power in 1997. There has been a substantial investment in childcare since then, including free nursery school places for three-year olds. Some, including the Select Committee, have questioned whether the nursery school priority – with its part-time and term-time nature of care – is the most efficient use of resources towards supporting work.

It appears the UK still has a ways to go on childcare. The Select Committee had previously commented that "in spite of the National Childcare Strategy in England and increase arising from the 2002 Spending Review, the childcare budget was not sufficient to enable either the lone parent employment target or the child poverty target to be met."[17] The Daycare Trust has calculated, for example, that the "childcare gap" in England has declined from one childcare place for every seven children under 8 in 2001 to one for every five in 2003.[18] As the Select Committee concluded, following a visit to Denmark, "The importance of childcare in securing a low level of poverty cannot be underestimated."[19] And childcare is a devolved issue. Note the Select Committee and Daycare Trust both refer to England, not the UK. There is little evidence that the problem of a lack of affordable childcare is less in the devolved areas but addressing it will require their involvement.

Overall, the government seems to be making at least modest progress in promoting work. Unemployment is at a historic low, with the number claiming Jobseekers Allowances at the lowest level since 1975. The proportion of British children living in workless households has declined from 17.9% in 1997 to 15.2% in 2003. The early evidence from the New Deals is positive, albeit modest. An evaluation of the New Deal for Lone Parents by the National Centre for Social Research found that 43% of participants entered work, more than twice the rate of non-participants. However, only an average of 7% of lone parents on benefits participated in the programme.[20] DWP has recently announced a series of changes to improve performance. These include giving local job advisers more flexibility to "tailor a wider range of training and support to each individual's personal needs" as well as raising "the possibility of tougher, more frequent interviews."

Making Work Pay

The increase in work effort may have more to do with the government's efforts to increase the incentive to employment (and the strong economy) than the New Deals. The series of changes to the tax system, culminating in the Working Tax Credit in 2003, means that workers in low-pay jobs can see their incomes noticeably topped up. Families with children can receive £3,025 per year, with a bonus of £620 per year for those working 30 or more hours per week. Families with all adults are working (or caring or disabled) can also get additional funds related to childcare costs. Families with children must work 16 hours per week to qualify. The full credit is paid to families earning less than £5,060 per year; it is reduced at 37p per pound above that. HM Treasury has cited Institute for Fiscal Studies (IFS) research to state that "[i]t is estimated that the introduction of the Working Families' Tax Credit, which was succeeded by the Child and Working Tax Credits, increased the employment rate of lone parents by as much as 7 percentage points."[21]

A national minimum wage in the UK came into force on April 1, 1999. It is currently £4.50 per hour, rising to £4.85 on October 1st. This also puts a floor under low-paid work and can raise incomes for those at the bottom of the labour market.

These measures "pull" people into the labour market by making work more rewarding. The differential between being on benefit and being employed becomes much clearer. They also increase the incomes for those who were already in the labour market but not earning much. However, there remains considerable "in work" poverty in the UK. More than four in ten poor UK households report someone was in paid employment.[22] Some of this may be due to initial take-up problems associated with the new tax credits. Some may reflect a difficulty in staying in the labour market for a full year some parents. Others would suggest the minimum wage is simply too low.

Early Intervention

The government is also pushing "early years" interventions to assist poor young children and to counter the perceived effects of their lives in poverty. The key initiative is Sure Start, which provides early childhood development for young children and seeks to support their parents as well. It draws some inspiration from Head Start, the long-standing American child development programme with centres in deprived communities. Both look to evidence that quality early childhood programmes can reduce harmful outcomes later in life, such as involvement with the criminal justice system. For example, one recent study on cognitive development found that performance on tests at age 22 and 42 months was a strong predicator of later educational outcomes.[23]

By 2004, there were 524 Sure Start local programmes in England, with about 400,000 children in disadvantaged areas able to participate. They appear well-targeted at deprived areas -- the national evaluation found that unemployment, worklessness and low income were all more than double the national average in these areas in both 2000/1 and 2001/2.[24] The Labour government has also been rolling out "Children's Centres" in the poorest 20% of wards to provide childcare, parental support and additional early learning efforts.

These efforts do little to impact on child poverty, defined in income terms, today. They are aimed at lessening the chances of these children becoming poor adults – and parents of poor children themselves – in the future. Given the long-run nature of the Prime Minister's goal this makes sense as a part of the strategy.

Parental Support

For all the rhetoric around work, a critical component of the strategy has involved increasing financial support for parents whether they work or not. The tax credit changes which resulted in the Working Tax Credit also produced the Child Tax Credit, which effectively merged several previous elements of the tax and benefit system related to parental support. The credit is comprised of one element per child and one element per family. In 2003/4, it was £545 per year for the family element (doubled during the year of a child's birth) and £1,445 per child. Families with incomes below £13,230 received the full amount. The child element is reduced by 37p per pound for higher incomes. For those with incomes above £50,000 the family element is then reduced at 6.7p per pound – which means that families with incomes above £58,134 receive only the child element. Overall, around 90% of UK families with children receive some child tax credit. The government has pledged to increase the per-child element in line with average earnings growth for the length of the current Parliament so these figures change each year.

In 2003, Mike Brewer of IFS calculated that "central government financial support that is conditional on having children has risen from £13.7 billion in 1997, to £19.2 billion in 2002 and £21.2 billion in 2003."[25] More than 60% of this support will come through the Child Tax Credit.

As Nick Holgate of HM Treasury testified before the Select Committee: "…of the instruments we have, plainly the per-child element of the Child Tax Credit it is the most powerful tool…" IFS also sees the credit as crucial: "Given the structure of the new tax credits, the child element of the child tax credit is one of the most efficient ways for the Government to hit its child poverty target."[26]

The UK also provides a child benefit to assist with the costs of raising children. It is £16.50 per week (or £858 per year) for the oldest child and £11.05 per week for each additional child (or £575 per year). This is universal and unaffected by earnings. Some would like to see the government do more to increase this benefit. The government appears to prefer the somewhat more targeted approach of the Child Tax Credit.

There is debate about the extent to which income support for non-working parents may discourage employment. If strategies to "make work pay" can provide an incentive to go to work by making it more beneficial than remaining out of the labour market then perhaps increases in the Child Tax Credit and Child Benefit might reduce this incentive. It is an active and complicated debate.

I would note that if one is concerned about this potential reduction in work incentives one way to address that concern is by making participation in programmes for lone parents on benefits more mandatory than it currently is. I recognize this would be controversial in the UK. But I am putting it forward as a way to address this concern should evidence emerge that it is a real problem. In American welfare reform demonstrations, it is a combination of financial support and work requirements that has produced the best results. As Gordon Berlin of the Manpower Demonstration Research Corporation summed these findings up:

"When work incentive programmes were linked to participation mandates or were conditioned on full-time work, they substantially increased the employment, earnings and total income of long-term welfare recipients."[27]

Public Services

While the government includes improving public services as part of the child poverty strategy, it has not yet appeared to be an important element. The Labour government has made a priority out of improving health and education services, in particular, and this part of the strategy seems to involve an assumption that a more efficient and effective public sector will inevitably, and perhaps disproportionately, help children living in poverty. Access to quality schools, for example, is often seen as a way of "breaking the cycle" of disadvantage. The effects of a successful improvement in schools may well improve the life chances of poor children.

It seems to me to be a strategy that is being pursued for other, if important, purposes, however, and there is relatively little evidence that public service reform initiatives are designed with the goal of ending child poverty. For example, the Select Committee expressed concern that mainstreaming of the child poverty agenda as a UK-wide matter appeared only in the context of the National Action Plan for Social Inclusion prepared for the EU.

However, this could be changing. The 2004 Spending Review contains a separate report on the review of the child poverty policies. It argued that "public services are critical in both ameliorating some of the immediate impacts of growing up in poverty and providing poor children with opportunities to enhance their life chances and thus break cycles of deprivation."[28] The report goes on to focus primarily on policies to reduce health and educational inequalities as well as the £25 million "Parenting Fund" from 2002 for support services. Time will tell if this heralds increased attention to the contribution of improved public services to reducing child poverty.

Devolved Areas

Scotland

As might be expected, given a large degree of political similarity, the Scottish strategy is along the same lines. Here's how it is explained by the Scottish Executive:

"The best way out of poverty is through work and this is being delivered through training and skills development, supporting growth in the economy and building sustainable communities across Scotland."[29]

What can be seen are different points of focus, consistent with having greater authorities in certain policy areas under devolution. As the initial *Social Justice* report puts it:

"The Scottish Executive – with our responsibilities for education, health, environment and housing – has a responsibility to concentrate on tackling the root causes of poverty and injustice."

The Scottish Executive has made "employability" a priority. A current lead effort is the "Working for Families" fund of £20 million to support childcare in high unemployment areas for individuals seeking training, education or work. It is specifically aimed at assisting those for whom childcare is a barrier. Glasgow and Dundee local authorities are among those who have received funding from the programme.

An earlier Scottish initiative was the New Futures Fund, begun in 1998 (prior to devolution), which funded demonstration programmes to assist people aged 16-34 with severe obstacles to employment, such as substance abusers and the homeless. It runs until 2005. Urban regeneration to increase job availability has been another priority. The Scottish version of local collaborative efforts has been the Social Inclusion Partnerships (SIPs). The SIPs are "broadly based partnerships" made up of local authorities, other public agencies, voluntary agencies and the private sector. Most are based in deprived communities and seek to coordinate efforts to improve the areas. They have some additional funding -- £60 million in 2003/4 – for community-based projects, such as childcare, training and public health promotion. Neighbourhoods such as Glasgow's Drumchapel and Edinburgh's Craigmillar have SIPs.

The Scottish Executive has also made a priority of addressing "financial exclusion" such as promoting credit unions and other approaches to reducing the extra costs poor families often face when it comes to banks and other financial institutions. The Executive has funded money advisors to provide assistance in avoiding excessive debt, for example.

The Executive has supported its own early intervention programmes, in addition to operating its own version of Sure Start. The Breakfast Services Fund provides money for breakfast services for children in deprived areas. The Executive has also funded a programme to provide free fruit to all children in the first two years of primary school.

In general, the Scottish strategy can be seen as supporting and bolstering the UK strategy. It shares an emphasis on work and early intervention as well as continuing long-running efforts to regenerate deprived communities. It lacks the strong factor of parental support through the tax credits since that power is reserved to the UK government.

Wales and Northern Ireland

The initial Welsh strategy appears to have focused largely on regeneration of deprived communities. Their "flagship" effort is "Communities First," which targets the most deprived wards for partnerships for community renewal. The partnerships can support activities such as targeted job training or childcare. In addition, they have also begun the Cymorth initiative ("The Children and Youth Support Fund"), a community-based effort to fund local partnerships, with a priority for deprived communities, for programmes including family support, childcare or community development to aid young people.

Some observers have seen a greater emphasis in Welsh policy on aiding deprived communities, rather than individuals or families, and that it may stem from elements in Welsh culture itself. Both Communities First and Cymorth do have an emphasis on "place" more than on individuals so perhaps there is something to this. Or it merely may have more to do with the set of policy tools the National Assembly of Wales believes it has. I leave such points to those who know more of Wales than I do.

In January 2003, after prompting by their Children's Commissioner and voluntary organizations, the National Assembly of Wales appointed a "task group" to look at ways to address child poverty in Wales. It was assigned to look into the causes of child poverty, develop a "workable" definition of child poverty, and to prepare a report "on which the Assembly Government can develop firm proposals for action." In June 2004 the task group issued its report. It recommended the adoption of a Welsh strategy for "combating child poverty." It noted that "the majority of children in poverty do not live in *Community First* areas" as an important reason for having a broader strategy. The report supported the DWP poverty measures. However, it did suggest the need for a "persistent poverty" indicator as well, expressing a concern about on-going deprivation and families below 40% of median income. If the Welsh government moves forward then Wales could have an official child poverty reduction plan by 2005.

There have been long-standing efforts to reduce poverty and disadvantage in Northern Ireland, the current version of which is known as "New Targeting Social Need." The original Targeting Social Need (TSN) was begun in 1991. It involved efforts to prioritize the most disadvantaged within mainstream government programmes. It was relaunched as New TSN in 1998, retaining the effort to "bend the spend" in favour of those in poverty, with a focus on employment, employability, and inequalities. The new Northern Ireland Assembly ratified New TSN's continuation in 2001, with a condition that it be reconsidered within five years.

This April, with Northern Ireland again under direct rule from London, the government released for consultation a proposal to revise New TSN into a "Northern Ireland Anti-Poverty Strategy." The proposal includes targets for reducing child poverty in both absolute and relative terms. In addition, it contains a target of reducing "consensual poverty" among children – a combination of lacking specified necessary items and living in a low-income household, along the lines DWP seems to envision for the material deprivation measure. This way of defining poverty shows an influence from the Republic of Ireland and was developed through local research in Northern Ireland. The consultation closes in September. Depending on the results, Northern Ireland could have an anti-poverty framework by 2005 as well, with an element addressing child poverty.

Monitoring

Once a goal has been set and a strategy has been articulated for reaching that goal, then comes the question of monitoring progress. How best to track the status of the project? This is especially important for a long-range goal, such as a 20 year effort to end child poverty, when interim adjustments are more likely. Are the policies which make up the strategy having an impact? The monitoring process provides feedback, which can signal policy-makers if the strategy needs to be altered.

Annual Reports

Since 1999, the UK government has been issuing annual *Opportunity for all* reports containing indicators of social well-being, including 20 related to children and young people, such as the infant mortality rate and the proportion of children living in workless households. The report has also contained summaries of the government's strategies. The rate and number of children living in poverty – using the 60% of median income threshold (both before and after housing costs are accounted for) -- are indicators, tracked through survey data. Absolute and "persistent" poverty are tracked as well. The result is an annual update on progress towards ending child poverty. There is also the annual release of income statistics, from which the poverty information is drawn. But *Opportunity for all* highlights these figures.

Since 1999, the Scottish Executive has been following suit with its *Social Justice: a Scotland where everyone matters* reports, which also feature indicators of social well-being. The report covers much of the same ground as *Opportunity for All* and includes six measures for children, including the proportion of children living in workless households. It also provides figures for the rate and number of Scottish children living in poverty.

These Scottish reports have tended to generate a day of debate in the Scottish Parliament when each one is released. The usual discussion follows along these lines:

- Labour and Liberal Democratic MSPs point to progress;
- SNP MSPs argue that social problems would be better dealt with after Scottish independence; and,
- Conservative MSPs argue that economic growth is needed.

As an example, these quotes from November 2001:[30]

"Poor children are better off and the gap between them and the average is narrowing," said Iain Gray, then Social Justice Minister.

"For Scotland to eliminate poverty at the earliest opportunity, independence is the key," declared Kenneth Gibson of the SNP.

"Glossy self-congratulatory nonsense," said Lyndsay McIntosh of the Conservatives of the report.

The National Assembly of Wales has also published an annual series of similar "Social Inclusion" reports. In 2004 it became a "Social Justice" report. It tracks indicators such as the number of 15 year olds leaving full-time education without recognized qualifications and homelessness.

Other Reports

In addition to governmental reports, interested outside parties have conducted their own studies. The Institute for Fiscal Studies has made a series of estimates of progress in reducing poverty among children. The Joseph Rowntree Foundation and the New Policy Institute have published a number of reports on poverty, including "Monitoring Poverty and Social Exclusion in Scotland," issued most recently in December 2002. It contained extensive information on child poverty in Scotland and another such report is expected in late 2004. It found the proportion of children experiencing relative poverty stayed around 30% from 1997/8 through 2000/1. It did find a reduction in the number of *individuals* below an absolute threshold set at the 1994/5 relative poverty level, from 22% in to 15% by 2000/1.[31] These provide a useful alternative and amplification to the governmental reports. The Prime Minister's pledge has made these non-governmental assessments more likely by drawing attention to the issues of poverty and deprivation and by setting out a goal which can be monitored. There is a sense of a national project afoot.

Comments

The government reports provide a comprehensive snapshot of a host of social concerns. Child poverty is only one component of the sweeping scope of the indicators. For example, *Opportunity for all* tracks the "rate of domestic burglary" in England and Wales. As a result, these reports are taken as updates on disadvantage in general, not on child poverty specifically.

I see a tension between the numerous indicators and the ability of the political process and press to focus on a limited number of issues. From the perspective of open government it is helpful to have reports which summarize social conditions in one place. But when a multitude of indicators are being tracked from year to year in a single report it becomes difficult to construct a narrative from them for broader public discussion. Are things getting better or worse? With a large number of indicators the picture of societal well-being is more likely to be a muddle – some measures improving, some worsening, and some staying the same. Is the government's strategy effective? It depends, becomes the answer. Whether the cumulative effect can be judged as progress then depends on the value given to the various indicators.

In the 2003 Scottish *Social Justice* report 17 of the 29 milestones showed improvement which can be taken as good news. However, there was no progress in "reducing the incidence of drugs misuse in general" and in "halving the proportion of 16-19 year olds who are not in education, training or employment." And the milestones related to truancy and households in temporary accommodation got worse. Does that suggest that things are getting better or not? What are the papers to make of it?

This muddling effect may be one reason the Executive announced in July a shift from the 29 milestones to "closing the opportunity gap" targets. It will become clearer what sort of shift, if any, this represents in October when the new targets are set to be announced.

The US issues an annual *America's Children: Key Indicators of Well-Being* report with more than 20 indicators, from proportion of children living in poverty to illicit drug use to infant mortality.[32] It draws little public attention and serves mainly as a handy reference book for those in the field, not a driver of debate. The annual release of the poverty figures always draws more press notice – it is easier to translate into a story.

An assessment of the press coverage of Blair's initial 1999 speech commented:

"The general absence of television news coverage of the Beveridge Lecture says much about the way in which poverty policy does not become news. It is not simply that a speech on welfare policy reform by *any* political leader is dull and intrinsically non-newsworthy…It is, rather, that in the absence of a clearly defined party political dimension, news editors and journalists are inclined to ask 'what's the story?'"[33]

A story is easier to tell from a shorter list of indicators. If there were only three or five trend lines – or better yet, one trend line -- to follow then translating them into a story or a clear political hook is much easier. Poverty can be treated as a part of the environment -- not something the government can change -- when there is no hook to the political process. Like the weather, in other words, not like the school league tables. A multiplicity of indicators can encourage this effect.

The downside of a short list of indicators is, of course, losing elements of the complicated nature of social well-being. Not including an indicator could be seen – probably rightly – as considering the problem it tracks of being less importance than the problem measured by an indicator kept. Or, potentially, as hiding indicators where progress is not being made for political spin purposes.

To me, this is where PSA targets can be important. The narrative is no longer is indicator x rising or falling in general but whether progress is being achieved towards a specified goal. Government is on pace to achieve this reduction or the government is falling behind in its attempt to address the problem – these are storylines for the press. They provide the "clearly defined party political dimension." The stories almost write themselves.

Going further, a PSA target is an assertion that government policy can affect the specified social problem. In the US there is considerable scepticism that government can make much of a difference – one reason for the popularity of President Bush's talk of making greater use of religious-based charities. Setting a target is a way of saying "yes, we can" do something about a social problem through government action. This is also part of the Prime Minister's goal "of making the welfare state popular again" in the Beveridge lecture.

The combination of annual reporting of indicators and longer-term PSA targets can provide a good framework for monitoring. The challenges come in keeping the array of PSA targets manageable – too many and the narratives become a muddle, just as with the indicators – and in aiming them properly at key aspects of the problem. In the case of child poverty, PSA targets around increasing employment are sensible, for example, and help policy-makers evaluate whether a cornerstone of the government's strategy is being fulfilled.

Results so far

UK

In 1998/9, at the beginning of the current PSA target, there were 4.2 million British children in poverty (or 33%) using a threshold of 60% of median income, after housing costs. Under the other PSA measure, using a before housing costs standard, there were 3.1 million children in poverty (or 24%).

To reduce child poverty by the PSA target of one-quarter would translate into less than 3.2 million British children in poverty in 2004/2005 on an after housing costs measure or 2.3 million on a before housing costs measure.

The most recent data available is for 2002/3 when there were 3.6 million children in poverty on an after housing costs measure (or 28%); 2.6 million on a before housing costs measure (or 21%). This represents clear progress. But it does not suggest the government was on pace to meet the target. However, the figures for 2002/3 do not reflect the latest version of the tax credits, implemented in April, 2003. After modelling the effects of policies for 2004/5 not yet implemented in 2002/3, IFS said in March 2004:

"[T]he government has reduced child poverty by around 60 per cent of the required amount in 66 per cent of the available time. But the introduction of the child tax credit in

2003/4 and the extra spending announced for 2004/5, neither of which is reflected in the most recent data, suggest that the government is on course to meet its target."

Other commentators, such as the Select Committee, have tended to agree.

When one considers absolute poverty, the story is much better. *Opportunity for all* has been using the 1996/7 relative poverty level as the baseline – not the 1998/9 level used in the final DWP absolute poverty measure – but it gives one a sense of the trend. In 1998/9 the absolute child poverty rate was 31% after housing costs, 22% before housing costs. By 2002/3 these had dropped sharply to 17% and 12% respectively – almost halving absolute poverty by this measure. Those at the bottom are clearly much better off – they're just not catching up as much to those in the middle.

So congratulations appear in order. The United Kingdom looks to have made it one-quarter of the way towards achieving the Prime Minister's pledge. This is impressive. From my conversations I have gathered that at least some observers – if not most -- were originally doubtful at the outset that even the first quarter of the reduction could be managed.

Scotland

In 1998/9, there were 340,000 children in poverty in Scotland, using the 60% of median income after housing costs measure; 300,000 children using the before housing costs measure. This translated into rates of 31% and 27%. (The smaller spread between the measures may reflect how much of the UK differential in them is driven by London and its housing situation.) In 2002/3, there were 280,000 (27%) and 240,000 (23%) children in poverty, on the respective measures.

As with the UK as a whole, the picture is better on a measure of absolute poverty. Using 1996/7 relative poverty thresholds as a baseline, in 1998/9 there were 320,000 children in poverty on an after housing costs measure; 290,000 on a before housing costs measure. This translates into rates of 29% and 26%. By 2002/3 the figures were 170,000 (16%) and 130,000 (14%). In other words, absolute poverty was nearly reduced by half.

These figures are similar to those for the UK as a whole. Perhaps, as with the rest of the UK, the most recent policies will prove enough to achieve a one-quarter reduction within five years on relative poverty. The progress on absolute poverty is unmistakeable. Unsurprisingly, ministers have often chosen to focus on the absolute figures, drawing criticism that they have shifted measures. The Executive has rightly pointed out that both measures have been present all along but the charges reflect the risks of having multiple indicators in a political environment and in not being consistent in how one talks about what the measures mean.

Comments

The context of strong economic growth in recent years has certainly aided the government's strategy to promote work – jobs are more available and employers are more willing to take a chance on those leaving benefit when the labour market is tight. But it is not enough to credit economic growth, particularly when the goal is defined in terms of relative poverty. To achieve the one-quarter reduction – assuming it holds up as projected – involves incomes among those at the bottom not merely growing but growing more quickly than for those in the middle. During a strong economy earnings for the middle of the labour market can grow substantially. Median household income in the UK grew by 15% in real terms just between 1998/9 and 2001/2.[34] Reducing relative child poverty involves families at the low end of the labour market doing better than that rate. The increase in "progressive universalist" support for parents through the Child Tax Credit may have made the difference.

Early evidence also suggests that the United Kingdom has made progress on the child poverty "league table" of the European Union. As the Select Committee noted:

"Internationally, the UK has a comparatively high child poverty rate. Figures from the European Community Household Panel Survey show that in 1998 the UK had the highest child poverty rate in the European Union, but by 2001 the UK ranked 11th out of the 15 European Union nations on child poverty rates."

In other words, the UK is no longer in the relegation zone of the EU child poverty table. But there is a long way to go before it is challenging the Scandinavians for the league title, as the Prime Minister would like to do.

What Next?

Reviews

As the one-quarter pole has neared, there have been several efforts to look towards the next stage and assess progress to date. The Select Committee on Work and Pensions of the House of Commons conducted an extensive inquiry, releasing its report in April 2004. It was a generally positive report while also calling for the government to lay out a strategy for the next stage of the effort. It found the initiative had "clearly delivered considerable success to date." The Committee did caution that "meeting subsequent targets…will be much more challenging since the achievements of those targets will involve helping those who are most disadvantaged."

The Joseph Rowntree Foundation put forward a general anti-poverty strategy (i.e. not limited to children) in *Tackling Disadvantage: A 20-Year Enterprise* in 2003. It also solicited commentaries from across the political spectrum and published them as *Overcoming Disadvantage: An Agenda for the Next 20 Years* in 2004. The Child Poverty Action Group published the compilation *Ending Child Poverty by 2020: the first five years*. It stated that "the combined strategy of increased employment and redistribution has, on the whole, proved successful" while suggesting more aggressive redistribution will proved necessary in the long run. The Fabian Society established a commission on "Life Chances and Poverty" in March 2004 with an explicit agenda to consider, among other things, "ways in which the stated aim of ending child poverty can best be achieved: what more needs to be done to meet the Prime Minister's ambitious target?"[35] Members of the Commission include Peter Townsend, David Piachaud, Fran Bennett and Polly Toynbee.

As part of the 2004 Spending Review, HM Treasury included a lengthy report providing the conclusions of its "child poverty review." It generally argues for continuing policies in the same direction as present – promoting and rewarding employment, improving services etc. The Review states that the next PSA targets for child poverty will include a goal to halve the number of children in relative poverty and in material deprivation. The first is similar to the initial PSA target while the second remains less defined until the specific material deprivation measures are made known, likely in 2006.

The Review has other targets, such as increasing take-up of formal childcare and increasing the share of lone parents on benefit who receive child support payments. In terms of policy, the Review is not specific on future increases in the Child Tax Credit beyond the current Parliament, expected to end in 2005. It appears the HM Treasury prefers to reserve future adjustments of this key tool until it has a better sense of how much other policies are contributing to the reduction of child poverty. Or perhaps the cost involved means HM Treasury simply prefers not to commit to significant spending at this point. The Spending Review as a whole includes a new investment in housing and the Review appears to see this as an important aspect of reducing material deprivation.

The Scottish Executive has formed a "Closing the Opportunity Gap" Cabinet Delivery group. This group, made up of relevant ministers and receiving advice from outside experts such as David Nicoll of the Wise Group and Gill Scott of the Scottish Poverty Information Unit, is intended to set objectives and targets going forward for various social justice agenda items, which can include child poverty. It is to meet twice a year during the current Parliament. Communities Minister Margaret Curran stated in July that the Executive will announce new targets in October, presumably based on the work of this group.

As described above, the task group in Wales issued its report in June. Similarly, Northern Ireland has an anti-poverty strategy, built on the New TSN, out for consultation. The outcome of these two efforts should set policies in the areas for the next few years.

Looking Ahead

Given the HM Treasury review, the UK government appears to plan to largely continue the current strategy but with potentially increasing effort in the coming years -- an approach sometimes termed "same medicine, stronger dose."

Same Medicine, Stronger Dose?

Given the success to date, such a "same medicine, stronger dose" approach seems likely to produce additional progress, especially if the economy continues to avoid a recession. The question is whether it would be sufficient to meet the target. The Select Committee concluded that:

"…the Government's programme will not by itself deliver the child poverty reductions necessary to reach the 2010 goal merely by doing more of the same."

Holly Sutherland has made an estimate for One Parent Families of what it might take to achieve the goal of halving child poverty by 2010. It has three key elements:

1) Increasing the national minimum wage to £5.50 per hour.
2) Increasing the Child Tax Credit by £12 per week.
3) Achieving half of the increase towards the lone parent employment rate target of 70%.[36]

These are certainly plausible assumptions, involving an amplification of current policy tools. The minimum wage increase is as much a political question as it is a policy matter, involving objections from employers and judgments about the impact, if any, on overall employment. The Child Tax Credit increase requires substantial resources, which may prove challenging to find in the budget. The increase in the lone parent employment rate is not a heroic assumption – not as heroic as the government's goal certainly. It would involve a continuing effort to build and improve the New Deal. Perhaps more importantly, it would likely also require an expensive effort to continue to expand childcare availability.

The Select Committee had a request of Holly Sutherland for an estimate of its own. Sutherland found that if one holds family structure and employment patterns constant – a large assumption but one which simplifies the projections – that it would take an additional £10 per week per child on an after housing costs basis to meet the 2010 relative poverty target; £5 per week per child on a before housing costs basis. This could be provided through the Child Tax Credit. Depending on how universal the increase in the credit is – does it go to most families or just those at the bottom? – this would cost £3.5-£7 billion per year. Expensive, but not outside the range of possibility.

There are potential complications. First, the UK economy may falter. If it occurs it could limit the number of jobs available and reduce the opportunity to move families off of benefit. The US experience with welfare reform during the recent years of economic sluggishness suggests that entry-level low-pay jobs do not necessarily dry up during harder times. "McDonalds," the saying goes, "is always hiring." A bigger potential problem could come from falling government revenues limiting the ability to fund initiatives. Many states in the US have struggled to continue funding childcare while resolving budget shortfalls.

The budget problems seen in the US highlight another potential factor – finding the resources. The government has emphasized the need to improve public services, such as the National Health Service and the educational system, while not raising taxes. So far the growing economy and the Chancellor's dexterity have meant significant resources have been found for reducing child poverty, particularly through the tax credits. Further expanding these credits will take money. "Progressive universalism" is a smart political strategy – helping the middle some while helping the poor more can provide important political support from those in the middle. But it also drives up the cost of the effort, particularly when one is trying to reduce relative poverty and an aspect of your strategy is pushing middle incomes higher too. As Sutherland estimated above, more use of means testing reduces the cost but can lead to a worsening of "poverty traps" where the withdrawal of benefits as incomes increase can result in severe effective marginal tax rates, potentially reducing work incentives.

The New Deals may also need to see a step change in effectiveness, as the recent announcement of changes suggests the government realizes. There may be a greater need to address the Incapacity Benefit population, not just lone parents or the young. While the unemployment rate is quite low, there remain relatively high proportions of adults outside the labour market – one in five is "economically inactive," largely through disability or caring responsibilities. There is already a New Deal for Disabled People, albeit on a small scale. It may need to be much bolder. There are ideas for such an approach. Kate Stanley and Sue Regan had some suggestions in *The Missing Million* such as rethinking the current approach where the government agencies treat "the decision to work as a binary one – one is either fit to work or one is not."[37] If a disability benefit claimant shows signs of being able to work at all, it jeopardizes the benefit, discouraging part-time work. This may involve overcoming some political hesitation, perhaps resulting from the role disability benefits played in softening the 1980s loss of traditional manufacturing and mining jobs.

The tax credits are crucial to the progress to date and will likely remain so into the future. The US version of the Working Tax Credit – the EITC – has come under regular criticism from conservative intellectuals who argue that it is a backdoor welfare benefit, not something which should be provided through the tax code to "people who don't pay taxes." However, conservative American politicians rarely make this argument, preferring to try to discredit the programme through accusations of fraudulent payments and faulty administration. They recognize it is harder to oppose aid given to working parents than to non-working parents. Given some initial start-up difficulties in the UK, I would suggest that those who support the credits be watchful of similar efforts and work with the Government to minimize such problems to the extent possible. The Conservatives have already been critical of the implementation to date.

If this strategy is taken, it will continue to feature a partial role for the devolved areas, particularly when it comes to regeneration and childcare. Both issues are clearly on the agenda in the devolved areas. So it is more a matter of the effectiveness of their policies rather than whether they will address the problems. If, hypothetically, the Scottish approach to economic regeneration is less effective than the English one then Glasgow and Dundee may hold back the UK. Or, hypothetically, if Wales chose to focus solely on Sure Start while the rest of the UK pours funding into expanding the broader availability of childcare for working parents, is that a problem?

Overall, it appears it may well be possible to reach the next target, provided sufficient funds are found. It won't necessarily be easy but it is imaginable. Achieving a PSA target which includes absolute poverty will be easier, and cheaper. It is relative poverty which is harder to move, at least if one assumes continued economic growth. A side-effect of an economic slowdown, such as seen under Prime Minister Major, is that earnings in the middle can stall, allowing those at the bottom to more easily catch up. As IFS describes that period:

"A consequence of the general economic downturn experienced under Major is that there was very little real income growth. Of the gains that existed, the benefits were highest for the poorest. The income of the lowest quintile increased by approximately 1.2% average per year, compared with the sluggish growth of 0.4% for the richest group."[38]

In that case, the middle may stop galloping away from the poor. However, money will be harder to find for government initiatives.

This is just looking ahead to 2010. In the long run to 2020, I think more policy tools are likely to be necessary, especially if relative poverty reduction remains the goal. Consider that a recent Joseph Rowntree Foundation estimate is that the income of the bottom tenth of the population needs to rise at triple the rate of those in the middle and at the top to "eradicate" relative child poverty in the UK[39]. This is a sobering estimate. If one could wave a magic wand and have all of those in the bottom tenth employed it still seems unlikely the UK would achieve it. As IFS summed it up:

"Reducing child poverty further requires, therefore, either above average increases in the earnings of low-income parents, or substantial year-on-year increases in the total state support to low-income families…"[40]

In light of this, it seems likely to me that a heavier dose of redistribution or changes to the labour market would be needed to get the United Kingdom near the top of the league table. This is particularly true on the relative poverty measure. IFS noted in July 2004 that a halving of relative child poverty by 2010 would still leave the UK ranked sixth among the EU nations, if one assumes the others remain at their current poverty rates.[41] If one chooses to focus on absolute child poverty, the challenge is less daunting. The current strategy has already demonstrated clearly positive impacts. If one can imagine a decent UK economy for most of the time through 2020 – and a resulting good labour market – then promoting work and making it pay can continue to produce positive results. The challenges lie in generating jobs in more deprived areas and in assisting more troubled parts of the workless population into employment. A failure to build more childcare availability could be the stumbling block. There will likely also need to be a series of increases in the Child Tax Credit.

It is a much harder matter to assess material deprivation since the final details of the measure remain unknown. The more it is based on relative-type indicators, the more difficult it will be to achieve and the more questions there will be about whether the current strategy is sufficient.

Alternative Approaches

There are at least two other approaches to attempting to affect relative poverty, straightforward redistribution of income and greater intervention in the labour market. Both involve a clearer sense of changing society and, as such, may raise greater political challenges, especially the redistribution method. But in achieving the government's goal one of them may well prove necessary.

1) Tax and Redistribute?

One way to find additional resources would be to increase taxes on those with higher incomes. It is widely noted that nations with low child poverty rates, such as Denmark and Finland, have higher rates of taxation, which can make the income distribution more equal and allow for greater subsidies for those at the bottom, either directly or through work supports such as childcare. This is particularly true when one uses a relative definition of poverty, where the incomes of families in the middle are crucial to determining the level of poverty at the bottom.

As a mechanical matter, this approach could significantly reduce child poverty. It is not that difficult for tax policy to move money from those with higher incomes to those with lower incomes. The introductions of the Working Tax Credit and Child Tax Credit have already proved to be vehicles for redistribution. As a political matter, of course, however, this alternative raises tremendous questions.

New Labour has made its unwillingness to raise taxes on the wealthier in society a key element in distinguishing its approach from that of traditional Labour governments. The Prime Minister has been quite clear about this policy, to the point where he sometimes refuses to take the traditional Labour position that income inequality in British society is a problem. Witness this testy exchange from a BBC election-eve interview in 2001.

Jeremy Paxman: "But Prime Minister, the gap between rich and poor has widened while you have been in office."

Prime Minister Blair: "A lot of those figures are based on a couple of years ago before many of the measures we took came into effect. But the lowest income families in this country are benefiting from the government. Their incomes are rising. The fact that you have some people at the top end earning more…"

Paxman: "…Benefiting more!"

Blair: "If they are earning more, fine, they pay their taxes."

Paxman: "But is it acceptable for gap between rich and poor to widen?"

Blair: "It is acceptable for those people on lower incomes to have their incomes raised. It is unacceptable that they are not given chances. To me, the key thing is not whether the gap between those who, between the person that earns the most in the country and the person that earns the least, whether that gap is…"

Paxman: "So it is acceptable for gap to widen between rich and poor."

Blair: "It is not acceptable for poor people not to be given the chances they need in life."

Paxman: "That is not my question."

Blair: "I know it's not your question but it's the way I choose to answer it…"[42]

Earlier in the discussion, the Prime Minister had commented that "It's not a burning ambition for me to make sure David Beckham earns less money."

While the Liberal Democrats have supported raising the tax rate to 50% for those earning more than £100,000 per year, there have been no signs of any such policy coming from the current government. This frustrates some concerned about poverty who wish the government would take the "route 1" approach to addressing child poverty of taxing the wealthy more and redistributing the proceeds to lower-income families. Jonathan Bradshaw has even offered a study suggesting greater public support for higher spending in support of the welfare state:

"So for almost two decades the political elite in the UK has been convinced that there is a crisis of legitimacy in welfare; that the British people are no longer prepared to sustain their welfare state. Yet over the same period the British Social Attitudes survey has been showing that this is not in fact what voters believe…"[43]

In essence, the Prime Minister was wrong and the welfare state does not need to be made "popular" again and higher taxes would be supported.

Or, as Polly Toynbee wrote in *Hard Work*:

"Labour has not yet dared to tell the majority of voters that to achieve it they will have to hold back their own ever-rising growth in living standards to allow those at the back to catch up. It need not mean a real cut, it only needs to skim off and slow future income growth for the well off."[44]

In a 2004 *Guardian* column, Toynbee argued in favour of increasing taxes on the "super-rich" in part because, as a political matter, "Pollsters say the trust deficit now runs so deep that voters think stealth taxes will rise anyway."[45]

As yet the Prime Minister and Chancellor do not appear persuaded.

From a Scottish perspective, the tax and redistribute strategy would leave Edinburgh little to do. The tax powers are almost entirely reserved and the strategy could be executed without the involvement of the Scottish Executive. This approach might be popular in Scotland, particularly if it is perceived as asking the wealthy in London to contribute to assisting the poor of Glasgow and Dundee. However, it could also result in less emphasis on child poverty from the Scottish Executive since there may well lead to a sense that the UK government is taking care of the issue.

2) A Different Labour Market?

A second alternative would be to focus on reshaping the labour market so that there are more high-wage jobs and a more equal income distribution. This could enable many more parents to raise children out of poverty.

The obvious difficulty is that government intervention to directly force up wages – such as a steep rise in the national minimum wage – has the potential to reduce the number of jobs available, if employers chose to cope with higher costs per employee by limiting the size of their workforces. The perception lingers that continental economies provide a better living to those with jobs at a cost of higher underlying rates of labour force inactivity. Given the government's focus on reducing worklessness it seems unlikely to aim for such models through heavy-handed means. The perceived American model, on the other hand, is a more flexible labour market, often with more numerous jobs, with little intervention to mandate pay and benefits beyond a minimum wage. As we have seen, the American record on poverty is not exactly a model one. The Northern Ireland Anti-Poverty Network, in its evidence to the Select Committee, complained of the promotion of Northern Ireland as a "low wage" economy. "For example, the Invest NI website tells overseas companies that wages are 'up to 32% lower than in the U.S. and 25% lower than the EU average.'"[46]

However, a softer approach to changing the labour market may be possible. The government is already pursuing policies with some potential. Improving educational attainment translates into a more skilled workforce. There has been considerable concern at the loss of traditional industrial employment in the UK and in Scotland. The question as to what replaces it – Call centres? Skilled high-tech manufacturing? Tourism? – is a live one. How it is answered may have much to do with the success of the child poverty pledge.

Another aspect of the labour market is work/family balance. Scandinavian societies with low child poverty tend to provide a much more expansive form of parental leave. Here is the Select Committee comparison between the UK and Finland:

"Currently, [UK] mothers are entitled to take up to one year of maternity leave (26 weeks of which is paid, most of it at £102.80 per week) and fathers are entitled to up to two weeks paternity leave (also at £102.80 per week)…in Finland,…a paid maternity/paternity leave period [is] of up to 44 weeks…"

If all parents of young children are provided support to allow them to temporarily leave the labour market then there is less scope for inequality, particularly at a time when balancing the roles of new parent and worker are most challenging. Childcare is also particularly expensive for the youngest children – more use of leave may permit a focus on building up the supply of care for older children. The government could also step in to shorten the working week, as in France, which might make earnings a little more equal. This latter sort of intervention seems unlikely in the UK at present.

The likelihood of success in transforming the United Kingdom into a higher-wage, more balanced society through a "soft" strategy is uncertain. Is it sufficient to provide the high-skill workers – assuming this can be done – or are other factors, such an entrepreneurship and industrial policy more crucial? It raises foundational questions about the UK's role in the global economy of the 21st century. One analysis stated:

"Improving the skills of people on low incomes will, it is hoped, enable a more highly skilled workforce to be employed in better-paying jobs. This raises the chicken-and-egg question of whether higher skills will lead to higher-paid jobs, or whether raising productivity first is necessary to create the demand for higher skills…a review of the evidence available suggest that boosting the supply of skills alone is unlikely to transform organisational strategy."[47]

When asked, government officials tend to express a goal of American labour market flexibility with European skills and wages. The best of both worlds, in other words. If the road map there can be developed, many other countries will wish to make use of it.

Such a labour market strategy would involve a major role for the devolved areas. It relies on education and training policies, as well as economic development planning, all of which are the responsibility of the devolved areas. If, for example, the UK government were pursuing this strategy while Scotland and Wales chose to put primary focus instead on expanding their tourism sectors – an industry prone to low wages and seasonal work – the effect would be to undercut the overall impact of the approach.

At the moment, it appears that there is an aspiration from all parts of the UK to move towards a higher wage, more skilled, labour market. The real issue is whether it can be done while retaining the relatively low levels of unemployment currently seen. One way to think about this challenge is that the government is attempting to be successful on both quantity and quality in terms of jobs. In a world of limited resources, at some point it may have to choose which is more important – and the government's current child poverty strategy has more direct emphasis on quantity.

The Prime Minister appears to have had this issue in mind during his Beveridge lecture, rooting the need to eradicate child poverty in the quest for a high-wage "knowledge" economy. Recall that he declared: "If the knowledge economy is an aim, then work, skill and above all investing in children, become essential aims of welfare." Or as Chancellor Brown put it in a July 2004 speech:

"In the industrial age, the denial of opportunity offended many people. Today, in an economy where skills are the essential means of production, the denial of opportunity has become an unacceptable inefficiency and brake on prosperity."[48]

If so, those concerned about child poverty should spend time with those mapping skills training and economic development in the UK and in Scotland.

Implications of Devolution

An important difference in devolution in practice between the US and the UK is the partial nature of UK devolution – not in policy terms but in geographical terms. Even if devolution in Northern Ireland resumes, more than 80% of the UK's population will still be in England. In the US when a programme or policy area is devolved, it is devolved to all 50 states, leaving the federal government without a direct administrative role other than supervising the states. This forces federal policy on these issues – such as welfare policy – to be a discussion of how best to drive state policy choices, be it through mandated requirements or financial inducements and so on.

With the vast majority of the UK population still the responsibility of the UK government in London, the most likely scenario seems to be one where the devolved areas tend towards being overlooked, even neglected. The UK government will have much to do to determine policy and practice in its own area of administration without considering the situation in the devolved areas. So the tendency will be to leave Scotland to its own devices. I imagine the Scots will like it that way.

This could change if significant devolution takes places within England, particular if the enormous polity of London is involved. To date the London Authority and the proposed regional assemblies have limited scope. If, hypothetically, London received a similar authority to that of Scotland then the UK government would be forced to spend much more time considering how to affect policy in the devolved areas to achieve UK-wide policy objectives. From a poverty policy perspective, there is a case to be made for treating London differently since it faces different challenges, such as much more ethnically diverse population as well as the high cost of living and working in London. But I leave that to others to consider.

As in the United States, there has been a suspicion on the left that devolution could undermine the welfare state and the social safety net. As the Economic and Social Research Council put it:

"The argument for regional 'laboratories of democracy' has not been widely mobilised in European contexts, in part because of the whiff of 'race to the bottom' that adheres to them and because there has been a stronger notion of social equality in European states."[49]

In the American context, as noted earlier, this fear led to a stronger national role in setting standards in the 1960s. During the 1990s debates over the devolution of the benefit programme for lone parents the left argued it would lead to a "race to the bottom" as states were released from national requirements.

President Clinton, a former state governor, argued there was more room for trusting states. To date, there has been little in the way of overt "racing to the bottom" in the manner of, say, slashing benefit levels. (In fact, some states initially raised benefit levels.) There were several states, such as Texas, which adopted welfare-to-work models involving making it much tougher to receive aid and involving quick sanctions. Others, such as Minnesota, did much more to subsidise low-wage work by recipients through more generous benefit run-ons and heavy investments in childcare. (The Wisconsin approach, perhaps the most well-known model, involves strong elements of both.)

There is little evidence that these differences have resulted from a competition to be tough and withdraw aid. That is, states do not seem to be engaged in a competition to do less for their poor in hopes of saving money or getting them to move elsewhere. Rather, devolution appears to have allowed traditional differences in social safety net provision to resurface. The state of New York, for example, is required by its own constitution to assist its needy, something the US Constitution does not actually require. Alabama, on the other hand, has never done much for its poor citizens, in part perhaps because of its troubled racial history, and offers monthly benefits for lone parents that are about 30% of those in New York, a differential which is hardly justified by the higher cost of living in the city of New York.

The other variable is finances. When compared with Scotland, American states have more independent fiscal capacity. They can levy their own income taxes (or not, as is the case in Florida). They decide on their own sales taxes and fees. This results in a diversity of fiscal capacities. I have worked for two Senators, one from New York and one from Montana. They are very different states. New York has a tradition of higher taxes and greater public spending as well as a wealthy economy. Montana has a tradition of low taxes and little public spending and, since the copper mines have closed, not much of an economy beyond tourism and cattle ranching. As a result, New York has a much larger public sector than Montana and a larger capacity for aiding its poor.

When I consider how the devolved areas in the UK, particularly Scotland, may address their own social safety nets and child poverty in the future I see little reason for a concern about a “race to the bottom” under the current arrangements. The Scottish political tradition suggests, if anything, a stronger commitment to aiding poor children than that of the UK as a whole. The left is historically strong and the SNP is likely to keep complaining about poverty to highlight what it sees as the inadequacies of devolution.

Fiscal capacity is less of an issue for Scotland since the UK government remains so predominant in setting the revenue levels of the public sector. If at some future date the financial arrangements of devolution are reopened this could change. If Scotland were much more dependent on its own resources, how much money would be available for childcare and regeneration? The SNP invariably argues that more would be. I am not so sure, unless there is a lot of confidence that Scotland’s economy will be strong and growing. For those who want to reduce child poverty in Scotland, I see the will remaining – keep your eye on the wallet.

I see the Welsh situation as similar to Scotland. The traditions suggest a concern about poverty and the bigger question is one of fiscal abilities. I am less confident of Northern Ireland, given the more complicated political context in that area. If aid for poor children is perceived as solely a nationalist agenda item then it is unlikely to be a priority under unionist governments.

Final Thoughts

For the UK

The Pledge

The pledge has given the issue of child poverty focus and led to PSA targets to follow through on it. Perhaps this is obvious but it bears stating that the signalling impact has been important and credit should be given to the Prime Minister for it.

This sort of high-level pledge can have the effect of "making the weather" – when the Prime Minister signals such a priority it changes the shape of the whole policy field, putting pressure on both rival parties and other levels of government, such as the devolved areas, to address the issue in some fashion.

The pledge has also inspired hope and motivated the children's charities and the voluntary organizations. For example, one person said that his organization had considered calling for the abolition of child poverty prior to the Prime Minister doing so but decided such a proposal would be seen as unrealistic. Now it is government policy, which makes the debate on the best way to get there, not whether child poverty is considered a problem in the first place.

The pledge has also been educational. It has generated discussion about what it means for children to live in poverty. The distinction between absolute and relative poverty is more widely understood. The pledge has also led to a broader awareness of where the UK ranks on the "league table" and to more interest in the policies of nations at the top of the table.

The Definition

A three-part definition, while more comprehensive, risks sending only muted signals. The next PSA target could help to make the definition more concrete. The three-part definition can also complicate establishing policy priorities. Different policies – or at least different points of emphasis – may well result from a priority on eradicating relative child poverty versus eradicating absolute child poverty. For example, making relative child poverty the priority puts more pressure on higher wage strategies, such as further education, while a full employment focus could address much of the absolute child poverty in the UK.

Absolute Poverty

Some in the UK appear to dismiss absolute poverty, assuming it will dwindle in time simply from the workings of any economy which is growing. As IFS has commented:

"Unless the [absolute] measure is rebased, absolute poverty will almost certainly have fallen to such a low level by 2010 that measuring year-on-year changes will be statistically unreliable (particularly since there is concern about the accuracy with which incomes at the bottom of the distribution are measured.)"[50]

This belief is bolstered by the remarkable progress seen against that absolute measure in recent years. I would caution that in the United States this automatic elimination of absolute poverty has not been seen. While our absolute-style poverty measure has tended to decline in times of economic growth – child poverty fell from 22.7% in 1993 to 16.2% in 2000 – the American child poverty rate in 2002 was 16.7%, about the same level seen in 1967. In the American experience, demographics can impact on absolute poverty, such as having an increasing proportion of the population made of groups prone to poverty, lone parents being the obvious example. This can counter the positive effects of economic growth and increased support for low-income families. Or it may simply demonstrate that the American welfare state is not as effective in reducing poverty as European counterparts.

Relative Poverty

There is an understandable tendency to focus on increasing the earnings of individuals. There may need to be greater consideration of trends in household composition and labour market trends when it comes to relative poverty. A pressure in the direction of increasing inequality may be a trend towards "work rich" households with two relatively well-paid earners. As IFS put it:

"…women with the highest wages tend to be those who live in households with partners who also command higher wages."[51]

The increasing rate of labour force participation among married women combined with greater earnings capacity among women may be making it more difficult for single earner households – whether they involve traditional married mothers not in the labour force or lone parents who are – to keep up. To quote IFS again:

"…the increased female [labour market] participation seen over the 1970s and 1980s was mostly from married women whose husbands also work…the falling male [labour market] participation over the early 1980s and the early 1990s occurred mainly in households in which there were no other workers."[52]

UK government policy to date has much more to do with shifting no earner "workless" families into the one earner category. Such a priority, while important, may be better able to address absolute poverty than the inequality aspect of relative poverty since one earner families may still be far behind "work rich" two earner families. The "equivalisation" done to adjust poverty lines takes some of this difference in household composition into account. But, as Alan Marsh and Sandra Vegeris put it:

"…54 per cent of couples with children are now duel earners, which is becoming the aspirational form for British families. Nearly all the rest (40 per cent) are single-earner couples…but quite a large number of single-earner couples remained below the 60 per cent of the median threshold…so work may well be the best form of welfare and a family's first protection from poverty, but dual earning is a guarantee."[53]

Is UK policy addressing this "dual earning is a guarantee" element? Is this trend likely to continue? Do we even really understand why this trend is happening?

Going deeper into the question of household composition, there have been significant changes to family structures in the UK. As the Select Committee summarizes them:

"The proportion of children living in lone parent families increased from 7% in 1972 to 25% in 2003 – one of the highest rates in the EU. The most common route into lone parenthood is marriage breakdown, with over half of lone parents being divorced or separated. In addition, a significant number of lone parents are ex-cohabitees…The UK has the third highest divorce rate in the EU (2.7 per thousand population) and the fourth highest rate of births outside of marriage (41%) although, in 2002, nearly two-thirds (64%) of the births outside marriage were jointly registered by cohabiting couples living at the same address – more than twice the proportion in 1986."[54]

As uncomfortable as it may be, the UK and Scotland may need to increase consideration of how family structure influences child poverty. Alan Marsh has also estimated that:

"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."[55]

It is often presumed that this involves heavy-handed lectures about the decline in traditional values coupled with a suspicion that the real agenda of anyone who gives such lectures is to discourage mothers from working. That has been a common reaction to the Bush Administration's proposal to spend $1 billion to "promote marriage." Such direct approaches to family structure questions make many in America uncomfortable and I expect they would be more controversial in the UK.

What I would suggest the UK and Scotland consider are whether *indirect* approaches to influencing family structure may have utility in fighting child poverty. Here are four to think about:

1) Child Support. One way for working lone parents to keep up with two earner families is to receive child support payments from the non-resident parent, thereby providing two incomes for the child. About half of the lone parent population in the UK is divorced or separated mothers. It is usually easier to collect child support from their former partners than from those of never-married parents, who make up a greater proportion of the lone parent population in the United States. Yet child support is barely mentioned in discussions of how to reduce child poverty in the UK. (The Select Committee report did, for one.) I recognize that the child support agency here has been continually in crisis, which tends to make people reluctant to put much faith in child support collections. Still, if this agency and policy could be better sorted out it might make a real difference for poor children in the UK. I was heartened to see the HM Treasury Child Poverty Review includes a target to increase the payments received by mothers on benefit. A good start but lone mothers in low-paid work could use more payments collected for them as well.

2) Domestic Violence. Alan Marsh has suggested increased attention to the link between domestic violence and marital breakdown. "[M]ore than a quarter of lone parents," he notes, "say their last partner physically injured them."[56] If this figure holds, spousal abuse is likely a motivating factor in the break-up of a significant number of relationships. The HM Treasury Child Poverty Review also touched on this problem, noting that:

"Mothers experiencing domestic violence are also more likely to become lone parents, less likely to be earning independently, and more likely to report their families getting into financial difficulties…"

If such abuse could be reduced, it could well mean fewer lone parents, a population whose children are more likely to be in poverty. If there is a reluctance to make this link for fear it would mean women remaining in today's risky relationships, perhaps more attention to educating today's young people in ways to eliminate abuse is in order so that by 2020, when they are parents themselves, British society will have fewer violent relationships. The HM Treasury review states the government is working for better early identification of domestic violence and to increase the accommodation for victims. Helpful, but much more could be done.

3) Teenage Pregnancy. Young parents are less likely to have stable long-lasting relationships with their partners. Efforts to reduce teen births – be it through education campaigns or better contraception – have the potential to pay off in fewer lone parents in the long run. *Opportunity for all* already tracks conception rates for teens aged 15-17 and the percentage of teenage mothers not in education, employment or training – for England, related to a PSA target for reducing conception rates. The English baseline rate was 47.0 conceptions per 1,000 girls aged 15-17 in 1998; it has declined to 42.3 by 2001. So it is not a matter of making this a concern. It is a question of whether there is a benefit to linking the two, potentially with teenage pregnancy prevention become a higher priority.

4) Financial Support. The UK has already increased financial assistance to low-income families. In the US, a comprehensive evaluation of a mid-1990s welfare reform programme in Minnesota found it had a side effect of increasing relationship stability. This was a surprise since the programme, the Minnesota Family Investment Program (MFIP), had no elements in it concerning relationships at all. It provided generous payments to subsidize low-wage work by benefit recipients. One hypothesis is that the subsidies may have reduced relationship tensions related to financial problems. The evaluation of MFIP is rigorous, involving the use of control groups, but the programme – now much reduced – has not been replicated to see if the results hold in other environments. So it may be just a freak result. The Bush Administration's marriage promotion proposal would not support a replication because MFIP lacks an explicit "pro-marriage" component. It would be interesting to see if the government's significant increase in support for low-wage work in the UK has had any similar effects on relationships, if such a study could be developed. Tory critics of the tax credits would be hard pressed to continue raising concerns about them if they were found to help preserve marriages.

Material Deprivation

The government's effort to create a material deprivation measure has a lot of potential to be helpful or to be fodder for the tabloids. I would suggest that the poverty policy community engage with the government – as they probably already are – to ensure the specific components are sound and will ring true to middle Britain. For those who wish for an ambitious tax and redistribution strategy, the material deprivation data may be a more likely source of support than publicizing relative poverty figures.

Scotland

The focus on “employability” makes sense. Promoting work is important in fighting poverty and the Executive has some tools to address the barriers faced by these families. Childcare is central to promoting work, as the Executive appears to realize.

The population on Incapacity Benefits is potentially significant, given relatively high levels of economic inactivity. If there are preferred New Deal type policies to move some of this population into work, efforts should be made to influence what seem to be evolving DWP policies related to them.

Benefit take-up has been a problem with the new tax credits. Public awareness campaigns, above and beyond what the UK government or the Local Government Association’s “Quids for Kids” campaign, could help eligible Scots make use of these benefits and lead to more funds for the Scottish economy and fewer Scottish children in poverty. These could be cost effective, if done properly.

The financial structure of devolution is important. For those concerned about child poverty in Scotland it would be wise to pay attention to ensuring Scotland’s public sector has enough resources to pursue the policies you would like to see.

I have heard widespread support in Scotland for defining child poverty in relative terms. I think Scotland will need to focus on its labour market – especially the mix of wages paid – to have a real impact on this. For example, the proposed Northern Ireland Anti-Poverty Strategy includes a “supporting target” of increasing the proportion of employees earning more than £400 per week. Does this make sense? Or is it more of a matter of working with economic development authorities to influence their strategies? Scotland may press London to follow the old-fashioned “tax the rich” strategy but I would not count on it happening in the near future.

As suggested above, I think the material deprivation measure has potential but also has risks. What measures would resonate with Scots as demonstrating children are living in poverty? Based on my experiences I would suggest consideration of whether a child has regular access to umbrellas and to curries. More seriously, if there is a fear that DWP is headed in the wrong direction as it seeks to define the specifics, it may call for an effort to provide supplementary Scottish indicators.

It appears to me that devolution is likely to lead to “benign neglect.” Some may be pleased by this lack of awareness and resulting liberty to pursue Scottish approaches. London will still matter, however, and the current political synchronicity should not be taken for granted. In the US, devolved areas have banded together to influence federal policy. How can the “Celtic Fringe” of Scotland, Wales and Northern Ireland work together to draw attention to common needs and to influence UK-wide policies? And will there be common interests with the Mayor and Assembly of London and the potential regional assemblies in England? The “child poverty accord” between the UK government and the Local Government Association might provide a model for formalizing cooperation and consultation. Perhaps the devolved areas could jointly sign a similar accord with the UK government covering areas within their powers, such as childcare and regeneration.

For UK policy-makers, when considering child poverty reduction strategies within the control of devolved areas – regeneration, childcare etc – is the important thing that devolved areas make them a priority or that they approach them with a specific strategy? The answer, I recognize, may depend on the issue. I am persuaded that Scotland and Wales, at least, are likely to be committed to addressing child poverty in some fashion. If ensuring it is on the agenda is the crucial part, I think there is little to worry about, especially if the UK government continues to keep its own focus on the issue. But if it is important for them to follow a particular approach then consideration should be given to policy tools the UK government has – information, informal political dialogue, financial rewards – to encourage them in a favoured direction.

For the US

The US can reduce child poverty. Heck, the US was doing it without saying so during the 1990s. It's do-able. And other developed countries are already doing it so it is time we followed suit or risk being left behind in the "knowledge" economy. This may be a clear and positive target to succeed "ending welfare as we know it."

A national pledge can "make weather" – driving attention and focus. President Clinton's call to "end welfare as we know it" unleashed, eventually, a comprehensive reform movement. President Bush has repeatedly talked about the need for greater involvement of "faith-based" charities in helping the poor and states all over the US have thought more about the issue as a result.

While it may prove difficult to move entirely away from participation rates as a welfare reform performance measure – as the reauthorization debate suggests – an additional focus on child poverty could help keep attention on the circumstances of families not receiving the traditional benefits. The flexible nature of TANF allows the government to respond to the broader problem of child poverty and can be a platform for a child poverty reduction strategy. After all, the original point of the programme was aiding poor children.

Defining poverty in relative terms is unlikely in the US. For one, we have a long-settled poverty measure and attempts to alter it are usually seen as politically motivated. More importantly, Americans are clearly comfortable with higher levels of inequality than those living in other developed countries. However, the use of measures of deprivation has some potential to educate and to supplement the traditional measure.

However, the challenge of constructing an effective measure of deprivation in the American environment may be greater than in the UK, given greater degrees of ethnic and geographic diversity. A winter coat is not a necessity in Miami in the same way it is in Chicago. Cultural norms around diet and recreation may also vary significantly between ethnic and racial groups. Finally, the American disinclination to address inequality suggests that deprivation indicators should hew towards the absolute end of the spectrum, such as food, clothing and shelter.

The US already has some policy pieces in place for an effort to reduce child poverty, particularly welfare reform and the EITC. We also have a child tax credit, although it fails to reach many in poverty, something the UK experience suggests should be reconsidered. The US has Head Start as an early intervention policy tool. There are serious issues, as in the UK, around the availability and affordability of childcare, some of which could be addressed by stepped-up investment. Our economic regeneration efforts are fragmented and quite locally-driven. In part this may be an effect of the American penchant for mobility, which may reduce the pressure for national efforts to regenerate deprived areas. And we have family structure trends of our own to consider.

One potential model is the EU's "open coordination." The federal government could set a child poverty reduction goal, take steps with policy tools it controls (such as the EITC), and the require states to develop their own plans consistent with their own traditions and resources. Conservative Oklahoma could try to promote family stability while liberal Minnesota could invest in childcare expansions. Washington can force them to consider the problem much more easily than it can mandate how they address it.

In the UK there has been some framing of the problem as one of life chances for children. That was clearly what the Prime Minister was attempting to do in the interview quoted earlier. Outright calls for redistribution may not be what New Labour has in mind but they are part of the regular political discourse in the UK. That is not really the case in the American politics these days. When higher taxes on the wealthy are proposed – as Senator Kerry has done, albeit in the form of repealing tax cuts President Bush has enacted – it is usually in the context of resolving fiscal problems, not to redistribute the proceeds to the poorer in society. There is an enduring American belief that the U.S. is the "land of opportunity," that anyone can make it no matter how humble one's circumstances. As Stephen Aldridge of the Prime Minister's Strategy Unit put it when comparing perceptions of social mobility in developed countries:

"Americans are much more likely to believe they have equal opportunities to get ahead than citizens in other countries."[57]

In fact, it is not at all clear America actually has greater social mobility. What matters from a political perspective is that Americans are so convinced that it does. As a result, an initiative to reduce child poverty will have a greater potential for success the more it is seen as promoting the ability of children to succeed – if it is fighting a "poverty of opportunity" not just poverty in income terms. This calls for more attention to the evidence that being poor as a child limits one's future prospects and less to calls for "fairness" in income terms.

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Fiona Spencer, Scottish Council Foundation, Edinburgh
Heather Stevens, Office of the First Minister and Deputy First Minister, Belfast
Rebekah Stirling, Scottish Centre for Research on Social Justice, Glasgow
John Tibbitt, Scottish Executive, Edinburgh
Lisa Turnbull, Office of the Children's Commissioner of Wales, Cardiff
Fiona Wagner, Heriot-Watt University, Edinburgh

Endnotes

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