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CAUSES AND CONSEQUENCES OF CHILD POVERTY

WHAT IS CHILD POVERTY?

2.1 While there are many definitions of poverty, evidence suggests that poor children's life chances are dependent upon a complex combination of low household income, a lack of equal opportunities and social exclusion. Child poverty:

- damages childhood experience through limiting access to activities, services and opportunities, increasing exposure to risks, and diminishing access to the resources and support that increase resilience. All these can lead to bad outcomes for poor children;
- contributes to and can result from social exclusion, a shorthand term for what can happen when people or areas suffer from linked problems such as unemployment, poor skills, poor housing, high crime, bad health and family breakdown;¹ and
- denies equality of opportunity which can eventually blight adult life, leading to cycles of disadvantage. Growing up in a low-income household was more likely to lead to poverty in adulthood for those born in 1970 compared to those born in 1958.²

The impact of child poverty

2.2 While some children who grow up in low-income households will go on to achieve their full potential, many others will not. Poverty places strains on family life and excludes children from the everyday activities of their peers. Many children experiencing poverty have limited opportunities to play safely and often live in overcrowded and inadequate housing, eat less nutritious food, suffer more accidents and ill health and have more problems with school work.

2.3 Much evidence exists of the link between growing up in a low-income household and experiencing a specific outcome, such as low educational attainment.³ Some children not only live in low-income families, but experience other poor outcomes, sometimes in combination with one another, reinforcing the need for a broad anti-poverty strategy that looks across the range of public services and welfare reform.⁴

THE CAUSES OF CHILD POVERTY

2.4 The UK has had one of the worst records on child poverty among industrialised nations. The proportion of children living in households with below 60 per cent of contemporary median income more than doubled between the late 1970s and mid 1990s. This was largely due to: demographic changes, in particular a growth in the number of lone parent families; a concentration of worklessness among low-skilled households; and a widening wage distribution with increased in-work poverty and weaker work incentives.⁵

¹ See the Government's Social Exclusion Unit website for further details <http://www.socialexclusionunit.gov.uk/>.

² *Changes in inter-generational mobility in Britain*, J. Blanden, A. Goodman, P. Gregg and S. Machin, Centre for the Economics of Education, London School of Economics and Political Science, June 2002. See also S. Aldridge's presentation *Life chances and social mobility: an overview of the evidence*, http://www.strategy.gov.uk/files/pdf/lifechances_socialmobility.pdf

³ *Poverty: the outcomes for children*, J. Bradshaw (Ed.) Family Policy Studies Centre, ESRC, 2001.

⁴ Unpublished preliminary re-analysis of Families and Children Study 2002 data.

⁵ *Whither poverty in Great Britain and the United States? The determinants of changing poverty and whether work will work*, R. Dickens and D. Ellwood, National Bureau of Economic Research, Cambridge, MA., April, 2001.

2.5 Within households, child poverty can also be associated with a change in family circumstances, such as losing a job, having a baby, relationship breakdown or bereavement.⁶ Families who face barriers to the financial and other support and services they need to cope with these transitions can fall into poverty. If the family experiences several such events, the risks to children can increase.

2.6 Annex B provides a breakdown of some key parental characteristics and their links with children in low-income households. It presents the proportion and number of children in low-income in different categories, and the risk of being in low income for children in those categories.

The role of public services

2.7 Poor children typically experience multiple disadvantage and may therefore have a greater need for support from public services. 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. In addition, they make an important contribution to supporting parents to find, stay and progress in work.

2.8 However, there is evidence that despite their higher needs, poor families do not always manage to access the services they need, or the services available to them may be inferior. This exclusion is often worse for some of the families whose children face an above average risk of being in low income, such as ethnic minority households and disabled people. So the very families who may need the most support to escape poverty do not always receive it.

THE CASE FOR GOVERNMENT INTERVENTION

2.9 The Government wants to support and protect children while they are young to enable all children to enjoy a quality of life that some may take for granted. Childhood experience also lays the foundations for later life, so it is important to provide children and young people with the opportunities they need to reach their full potential as adults. This will contribute to a more socially cohesive and productive society.

2.10 The state has a clear role in supporting and protecting children so that they do not suffer as a result of their parents' circumstances. Tackling child poverty will help to improve children's lives while they are young, but it will also enhance their opportunities as adults and subsequently the opportunities of their children, thus perpetuating a virtuous cycle.

2.11 Tackling child poverty can also have knock-on benefits that go beyond the individual, for example in improving social inclusion, reducing the burden on public services and contributing to national productivity. While the Government recognises that bringing up and supporting children is largely the responsibility of parents, the state has a role in helping parents, through financial and other support, to do the best they can for their children. As individual families and children are different, support must be tailored, with more help provided when and where it is needed most.

HOLDING THE GOVERNMENT TO ACCOUNT

2.12 Given poverty's complex causes and effects, it is difficult to identify a single measure that captures it fully. The Government wants to ensure the public can hold it to account and it is committed to reporting on progress against the child poverty goal in a way that balances a recognition of the complexity of poverty with the need for clear measures.

⁶ *Families and children 2001: living standards and the children*, S. Vegeris and J. Perry, Department for Work and Pensions, Research Report 190, July 2003.

New long-term measure of child poverty

2.13 The Government's new long-term measure reflects the key role of income, but goes beyond this by incorporating a measure of material deprivation. The Government also monitors progress in *Opportunity for all* using a wide range of indicators that cover aspects of equality of opportunity and social inclusion.⁷

2.14 *Measuring child poverty*⁸ set out the Government's decision to use a tiered approach to measure child poverty for its long-term goal to halve and eradicate child poverty. The new measure is set out in Box 2.1.

Box 2.1: The new long-term measure of child poverty

Absolute low income – to measure whether the poorest families are seeing their incomes rise in real terms.

Relative low income – to measure whether the poorest families are keeping pace with the growth of incomes in the economy as a whole.

Material deprivation and relative low income combined – to provide a wider measure of people's living standards.⁹

2.15 The Government believes this measure provides the right balance between clarity and comprehensiveness. The inclusion of an indicator of material deprivation demonstrates the importance of the practical effects of living on a low income. It will help the Government to focus on those families facing particular difficulties due to high housing costs and other costs, such as childcare and travel to work, that can reduce disposable incomes and leave people poor. Because it incorporates a higher relative income line, it will count as poor for the first time some children disadvantaged in this way. The material deprivation tier will also capture the effects of persistent poverty.¹⁰ This, combined with the way in which the Government measures progress on child poverty, will help to ensure that policies are appropriately targeted.

2.16 Broadening the way the Government measures progress in tackling child poverty reinforces the need for a wide-ranging strategy. In particular, incorporating a measure of material deprivation highlights the importance of encouraging steady employment, providing stable financial support to families regardless of work status. In addition, tackling financial exclusion and improving the availability of decent housing are important contributors to reducing material deprivation.

2.17 Using the new measure, poverty is falling when all three indicators are moving in the right direction. The new three-tiered measure will be used to inform the setting of future child poverty PSA targets.

⁷ *Opportunity for all*, Department for Work and Pensions, September 2003.

⁸ *Measuring child poverty*, Department for Work and Pensions, December 2003.

⁹ For this tier of the measure, material deprivation is defined as lacking certain goods and services, using data from the *Family Resources Survey*. *Measuring child poverty* gives further details of the suite of questions used to assess material deprivation and the basis for their selection.

¹⁰ *The relationship between income and living standards over time*, R. Berthoud, and E. Bardasi, Department for Work and Pensions Research Report, forthcoming.