ENDING CHILD POVERTY

The importance of income in Measuring and tackling child poverty

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CONTENTS

SUMMARY

Low income is central to the experience of poverty. The case for boosting family incomes and directly lifting children out of poverty can and should be made because of the immediate impact it has on improving living standards as well as long-term impacts on outcomes. Despite this, the debate about child poverty has become polarised between supporting family finances and taking steps to improve children's life chances. Social mobility and child poverty are two sides of the same coin. Government spending must not become an 'either/or' between spending on family incomes and life chances interventions. Long-term outcomes for children are important, but so is the present everyday lived experience of poverty. Directly lifting children out of poverty, alleviating the financial strain on low income households and improving the living standards of families in poverty must remain a key aim for policy makers.

At a time of increasing debate about the way child poverty in the UK should be tackled and measured, this report sets out the importance of continuing to focus on the relative income measure of child poverty and the role of income more generally and addresses some of the ways in which the relative income measure is misrepresented by critics. It also charts what has happened to levels of child poverty in recent years and what is expected to happen in the coming years. The key points from the report can be summarised as follows:

Measuring child poverty

- Focussing on relative income poverty in developed nations like the UK recognises a central principle that all children and families should be equipped with the material resources required to participate fully in society so that they are able to access the full range of opportunities that society presents.
- More broadly, income matters because it is central to the experience of poverty. The correlation between living in a low income household and poor outcomes for children are strong.
- More needs to be understood about the extent of the impact income has on children's life chances but there is a clear causal link between low income and educational attainment. There is a danger that the impact of life chances interventions will be weakened if families are becoming poorer and poorer.
- There is a lack of understanding about the main relative income measure of child poverty.

Child poverty: Now and in the future

- Considerable progress has been made in reducing child poverty over the last 12 years, with almost 1million children lifted out of poverty (a fall of 26%). It is wrong to say, as some have, that recent efforts to reduce child poverty have been a failure.
- Increasing financial support to low income households through things like tax credits and Child Benefit by the previous government did not only benefit those just below the poverty line; those well below the poverty line and those above it also benefitted as part of a wider strategy to support low to middle-income families.
- Child poverty is expected to increase considerably between now and 2020, returning to 1999 levels. Based on Institute for Fiscal Studies (IFS) projections, the percentage of children in poverty will be 22.2% in 2015/16 and 24.4% in 2020/21 before housing costs and 29.7% in 2015/16 and 31.6% in 2020/21 after housing costs. The target is to reduce the percentage of children in relative poverty before housing costs to 10% or less by 2020/21.
- The number of children in absolute poverty is also expected to increase considerably in the coming decade reaching 27.4% after housing costs and 23.1% before housing costs by 2020.
- The target to reduce child poverty to 10% or less of all children by 2020 is a considerable challenge but remains achievable. Although overall child poverty will go up over the coming decade, the introduction of the new welfare system (Universal Credit) shows that even in the 'age of austerity' steps can be taken which lift children out of poverty.

INTRODUCTION

The Government will shortly release the latest child poverty figures for the year 2010/11 (the point at which the previous government hoped to have halved child poverty from 1999 levels). Child poverty more than doubled during the 1980s and 1990s from 1.8million to 3.4million before housing costs (BHC) and 2million to 4.4million after housing costs (AHC). In 1999, Tony Blair pledged to end child poverty within a generation. This was later clarified as being 2020. This commitment involved milestones of cutting child poverty by a quarter by 2004/05, and by half by 2010/11.

At a time of increasing debate about the way child poverty is measured and tackled, this report is an important reminder of the importance of focussing on relative income poverty and incomes more generally when addressing child poverty. Poverty is the strongest indicator of poor outcomes for children across health, education and future employment prospects. There is no escape from the fact that cash counts when trying to tackle child poverty, reduce financial pressure on families, improve living standards and realise children's rights.

The target to eradicate child poverty was enshrined in law through the Child Poverty Act (2010) (CPA) and received cross-party support. Eradication of child poverty on the relative income measure (60% median) was defined as achieving a child poverty rate of 10% or less (BHC). Significant progress has been made in reducing child poverty but the latest child poverty figures will show the 2010 target has been missed.

The Frank Field Review of Poverty and Life Chances[i] and the Government's Child Poverty Strategy, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives,* [ii] both discuss measures of poverty and, whilst reiterating the need for child poverty approaches to focus on income, also suggest the need for a 'broader' understanding of poverty that focuses on specific outcomes for children, particularly in respect of children's life chances and social mobility. Debate about the merits of a focus on incomes when measuring and taking steps to reduce child poverty have resulted in a more direct criticism of this approach and increasing calls for a complete move away from the current income measures.[iii]

Save the Children is concerned that a polarised debate about incomes or life chances is unhelpful at a time of increased hardship for low income families. The CPA includes four income and material deprivation based measures of child poverty and we continue to support action to tackle child poverty across the broad range of areas ('building blocks') we advocated for inclusion in the CPA (these were across (1) parental employment and skills; (2) financial support; (3) education, early years provision and childcare, health and family support; and (4) housing and neighbourhoods). We would welcome additional non-income targets across these policy areas (such as life chances indicators to capture the cycle of poverty).

However, given the context of this current debate, this report sets out Save the Children's view of why income must remain a key part of measuring and tackling child poverty. This is based on our longstanding belief that low income is central to the experience of poverty. The report also looks at the progress that has been made in reducing child poverty to date and argues that efforts to suggest the 2020 targets cannot be met are premature. We conclude that income based measures of poverty, including the internationally recognised relative income measure, must remain central to anti-poverty approaches. The case for additional (and complementary) approaches to measuring and monitoring poverty must be made on merit and not through criticism of the current income measures.

MEASURING CHILD POVERTY

How is child poverty measured?

There are four measures of child poverty set out in the CPA. The child poverty sector, and others, tends to highlight the relative income measure of child poverty (sometimes referred to as the 'headline' measure of child poverty) as this is the measure used across developed nations. This measures the number of children living below 60% of median incomes.

Save the Children prefers to look at the number of children living in households on less than 60% of median incomes AHC. This is because housing costs are a given; it is what a household has to spend after costs for housing are deducted that gives a true indication of family finances. However, in the CPA the relative income measure and target refers to the number of children living in relative income poverty BHC. Therefore, when we consider progress towards the Government's 2020 target to reduce the proportion of children in relative income poverty to 10% or less, we need to look at the child poverty before housing costs are deducted.

What about other measures of income poverty?

Other income measures in the Act

Beyond debates about the relative income measure of poverty, there have been debates about the importance of income more generally. In addition to the relative income target, the CPA sets out three challenging UK-wide income targets to be reached and sustained from 2020:

- Combined low income and material deprivation – to reduce the proportion of children who live in material deprivation and have a low income to less than 5%;
- Persistent poverty – to reduce the proportion of children that experience long periods of relative poverty, with the specific target to be set at a later date; and
- Absolute poverty – to reduce the proportion of children who live in absolute low income (below 60 per cent of median household income held constant at 2010/11 level) to less than 5%.

Severe poverty

In addition to the income measures above, Save the Children emphasises the importance of measuring severe child poverty (which combines relative poverty and material deprivation). Our severe child poverty measure (those below 50% of median incomes and experiencing material deprivation) allows us to understand what is happening to those experiencing the deepest poverty line as well as those just below it. [iv] The government included a similar measure of severe child poverty in the Child Poverty Strategy and said this would be a focus of policy makers in addition to the four measures in the Act. [v] This built on a key recommendation in the Frank Field review of poverty and life chances:

"We suggest that a new measure of severe poverty should be developed. This will focus attention on prolonged material and financial deprivation and we recommend the Government begins to develop a strategy specifically to help the most disadvantaged children." [vi]

Why measure relative income poverty?

Poverty in the UK is defined in terms of the living standards of society in general. A commonly quoted definition, and one which Save the Children's approach in the UK works to, is:

"Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities, and have the living conditions and amenities which are customary, or at least widely encouraged and approved, in the societies in which they belong".[vii]

The relative income measure of child poverty reflects this definition. It is a recognition that, in developed nations, no one should live with resources significantly less than the average so that their ability to participate fully in society is hindered. As countries get richer, expectations of what constitutes a decent standard of living change and the resources, including financial, needed to partake fully in that society alter.

The idea that poverty can be seen as a relative, as well as absolute, condition is not new. Adam Smith set out his view that poverty was relative in the Wealth of Nations:

"By necessities 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."[viii]

In respect of child poverty, this is an important principle. All children and families should be equipped with the material resources required to participate fully in society so that they are able to access the full range of opportunities that society presents. This includes access to warm and decent homes, a healthy diet and educational opportunities. The need to focus on relative poverty was summed up by David Cameron in 2006:

"We need to think of poverty in relative terms – the fact that some people lack those things which others in society take for granted" [ix]

Many families in the UK do miss out on these key essentials and this is often driven by a lack of money. Those unable to keep up with increased living standards become more and more excluded and the distance they have to travel in order to re-engage with society becomes greater.

Why child poverty matters and the importance of income

Beyond debates about the relative income measure of poverty there have been debates more broadly about the importance of income in tackling child poverty. As we set out in *Why Money Matters*, low income is central to the experience of poverty and the poor outcomes experienced by many living in poverty. Whilst other characteristics, such as ill health or poor educational attainment (sometimes as a result of lack of income), may be common among low income households and therefore require attention from policy makers, it is only lack of income which is common to all households experiencing poverty.

Why does child poverty matter?

Regardless of how child poverty is measured, tackling child poverty matters because it results in children suffering both now, and in the future. The presence of poverty means that children are being denied their basic rights as citizens. Article 27 of the United Nations Convention on the Rights of the Child 1989 says that:

"States Parties recognize the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development."

Children in poverty are much more likely to be materially deprived and therefore lack the things needed to have a happy childhood. Lack of income limits choices and places a strain on households. There is a strong correlation between growing up in poverty and experiencing poor outcomes. The following isn't an exhaustive list but it gives a snapshot of both the direct pressure and impact low income has on children and their families as well as the relationship between poor outcomes and poverty.

Health during childhood

Children in poverty are 2½ times more likely to suffer chronic illness, and 10 times more likely to die suddenly in infancy than better off children. [x] 47% of kids with asthma are from the poorest 10% of families. [xi] Falling ill more regularly during childhood or having to deal with long-term illnesses like asthma can have a detrimental impact on a child's ability to do well at school.

Life expectancy

The health consequences of growing up poor can be long-term. The life expectancy of a boy born in a deprived area is 73.3 years compared to 81.4 years for a boy born in a well-off area. Not only do poor children have much lower life expectancies, but they are more likely to endure long periods of ill health in later life. A boy born in a deprived area can expect to live to around 54 years before experiencing some form of limiting disability. Those born in the least deprived areas can expect to reach 70 years before they face a long-standing health problem. [xii]

Stress and emotional well-being

Poverty can leave parents struggling to provide healthy food and a warm home but it can also exact a toll on their physical and mental wellbeing especially when low income persists for a long period of time. The consequences of poverty (from ill health to debt) compound stress and impact negatively on mental well-being.

Financial worries are more likely to result in arguments and disagreements in the household. Not surprisingly, low income parents are twice as likely to split up. [xiii]

Child development during the early years

There is a strong correlation between cognitive and psychosocial development during early childhood and poverty. For example children from low income households can be almost a year behind children from middle-income household in terms of vocabulary development by the time they start school. [xiv] Better off children who score poorly on cognitive tests when they are very young soon overtake low income peers who were initially doing better. [xv]

Educational attainment

There is an important causal relationship between poverty and educational attainment. According to analysis by Paul Gregg, around 50% of educational inequality in the UK is as a result of differences in income. [xvi] It is not surprising, therefore, that low income is a strong predictor of how well someone does at school. [xvii] According to the Joseph Rowntree Foundation, only 21% of the poorest 20% of children gain five grade A* to Cs (including Maths and English) at GCSE compared to 75% of the richest 20% of children (a gap of 54%). [xviii]

Low income can mean families are unable to afford things which support learning such as the internet or provide a warm and quiet space in which children can do homework. As we reported in Why Money Matters:

"Family income has a direct impact on children's educational attainment and experience. Although attendance at state schools is free, children in poverty often miss out on school trips and extra curricular activities as well as educational resources in the home, like revision guides and computers." [xix]

Housing and neighbourhoods

The health consequences of poverty are often, but not solely linked, to poor housing with low income families less likely to be able to afford to move to better housing or improve their current housing. Poor housing impacts on both the mental and physical health of children and poor children are almost twice as likely to live in bad housing. [xx] Greater exposure to overcrowding and poor housing conditions means that children in poverty are more likely to be exposed to cold homes and lack a space in which to do their homework. Low income families are less likely to be able to afford to 'escape' poor living conditions for temporary periods by going on holiday meaning there is little respite from poor housing conditions.

Because poor housing is often concentrated in deprived neighbourhoods, children living in poverty are less likely to have access to an environment which supports their cognitive development, health and well-being. [xxi] In fact, children in poverty are 5 times less likely to have access to a safe outdoor play space than more well-off children. [xxii]

Stigma and bullying

People living in poverty are often stigmatised. This can lead to low self-esteem and feelings of isolation. A child who is stigmatised because they lack the things other children have is unlikely to do well at school or have high levels of well-being. Poor children are often bullied because they are poor; this is particularly common amongst poor children living in affluent areas. [xxiii]

The Poverty Premium

Families on a low income are paying more for basic goods and services than better-off families. Save the Children has calculated that this annual 'poverty premium' can amount to more than £1,280 for a typical low income family. Families on a low income who live in more deprived areas can pay on average 48% more for car insurance and 93% more for home contents insurance. [xxiv]

Debt

Families in poverty are often effective at managing on a low income. Parents often cut back on items for themselves to ensure their children don't miss out. However, debt can be unavoidable, and limited credit options for low income households can mean poor parents have to resort to high-interest lenders. Limited ability to save means low income households are more vulnerable to financial shocks (such as redundancy) and less able to respond when faced with unexpected costs (such as a broken washing machine or cooker).

It is not surprising, therefore, that debt is a common problem among low income families with children. Forward planning in order to avoid debt through saving is not always a realistic option for low income families who find that all of their disposable income is being spent on everyday essentials. [xxv] Paying back high-interest debt can have a crippling effect on a family's ability to get by, eating into disposable income and driving down living standards:

"One in five households with an income of less than £13,500 per year who have borrowed money spends above 30 % of their weekly income on repaying debts". [xxvi]

CHALLENGES WITH THE MEASURE

Myths about the measure and incomes

The debate about measuring child poverty and taking action to eradicate it is obscured by a number of patent misconceptions and misrepresentations about both the relative income measure and the role of incomes more broadly. This section addresses some of these common myths about the relative income measure and deconstructs some of the more rational challenges.

Myth 1: "Efforts to reduce child poverty have failed"

Although the 2010 target to halve child poverty has not been achieved, it is wrong to say that recent approaches to tackling child poverty have been a failure. The reduction in child poverty of almost 1million since 1999 marks a significant shift away from what happened in the decades prior to 2000. More rapid progress on reducing child poverty is now required if the 2020 target is to be met, but what happened between 1999 and 2010 represented major progress in reducing child poverty and had the potential to give momentum to renewed efforts to meet the 2020 target. US academic, Jane Waldfogel, in her book, *Britain's War on Poverty*, shows how progress has been made in tacking child poverty in the UK whilst it stagnated in other parts of the developed world. [xxvii] Key policy successes included the rollout of Sure Start and increased parental employment, particularly single parent employment. [xxviii]

Halving child poverty by 2010/11 would have left around 1.7million children in poverty. Only a further fall in child poverty of around 400,000 children would have been required to reach the 2020/21 target of 10% or fewer children living below 60% of median incomes. Put in this context it is possible to view the 2010 target as overly ambitious in that it required most of the work in reducing child poverty to be done between 1999 and 2010.

Myth 2: "It isn't possible to eradicate child poverty"

The CPA defines 'eradication of child poverty' as achieving a relative poverty rate of 10% or less (and meeting the other targets set out in the Act). This remains perfectly possible. Achieving a child poverty rate whereby 10% or less of children living in families where household income is less than 60% of the median has been achieved by several other countries in Europe. [xxix]

Some have wrongly suggested that it isn't possible to achieve a 0% rate of relative income poverty (usually because they confuse median averages with a mean average). Whilst the current collection of poverty data makes recording a 0% poverty rate difficult (see further discussions below), it is technically possible to achieve a poverty rate of 0%. Since the poverty line is based on median incomes (i.e. the middle point of all incomes), it is possible to lift all incomes above 60% of the median without the median changing (if the middle point of all incomes remains the same).

Myth 3: "The 60% median is a meaningless and arbitrary threshold"

Drawing the line at 60% is accepted across academia and across developed nations – it isn't arbitrary. The links between material deprivation and living below 60% of median income are strong and the correlation between poor outcomes and children living on relatively low incomes is too strong to ignore. Families living below 60 per cent of median income are also those likely to be facing material hardship. This is also the case across Europe, with the material deprivation of children below the poverty line being on average 3.5 times higher across the EU than of those children above the poverty threshold. [xxx]

Myth 4: "During the last decade the relative income target only succeeded in lifting those just below the poverty line, just above it"

Evidence shows that recent efforts to reduce child poverty benefitted those well below the poverty line as well as those around the poverty line. This is discussed in detail in the IFS report, *Child Poverty in the UK since 1998-99: Lessons from the Past Decade*:

"A criticism that has been directed at a 'binary' or 'headcount' measure of poverty (i.e. a measure which simply classifies someone as 'in poverty' or 'not in poverty' with no account taken of the distance from the poverty line) is that it skews incentives for policy-makers towards raising the incomes of those just below the poverty line so that they rise just above it, with relatively little priority attached to the rest of the income distribution."

The same report finds that:

"child poverty would have fallen over the period if the relative poverty line had been anything from 43% up to 100% of the median household income; and the precise reduction in child poverty over the period would have been very similar for all poverty lines between 55% and 75% of the median (the poverty line that would have maximised the reduction in child poverty between 1998–99 and 2008–09 is in fact 65% of median income). Thus, there is not striking evidence that policymakers have been focusing efforts on a narrow set of children just below their chosen poverty line." [xxxi]

In any case, it would be very difficult to focus policy on those just below the policy line. Increases in tax credits or Child Benefit cannot easily be targeted at particular households in such a precise way.

Myth 5: "Directly lifting children out of poverty can only be done by spending ever increasing amounts of money on out-of-work benefits"

Whilst there is an important role to play by the social security system in ensuring those who are out of work for a temporary period or who are unable to work are afforded a decent standard of living, driving down child poverty requires a broader policy approach. Recent successes in driving down child poverty have shown that supporting parental employment (with a particular focus on groups with specific barriers to employment, for example single parents) and subsidising low-paid employment were effective in reducing poverty. It is not the purpose of this report to set out a list of policy recommendations in order to meet the 2020 target, but it is clear that targeting extra financial support to low income families through the benefits system, supporting low income parents into decent, secure and sustainable jobs that allow career progression, and tackling low pay are all central components of an effective anti-poverty strategy.

Myth 6: "Giving extra money to families just results in it being misspent by parents"

Evidence from *Why Money Matters* shows that providing extra financial support to low income families results in it being spent directly on children. Low income parents are more likely to spend any extra income that comes into the household on their children compared to better off parents and prioritise the needs of their children above their own. [xxxii]

Myth 7: "Increased spending on income transfers has no impact"

Whilst it is right that tackling child poverty needs to be about more than increasing household incomes, this is not the same as saying boosting incomes isn't important. Targeting extra financial resource at low income families can have an immediate impact on living standards and well-being and support children to realise their rights. As an example of this, a study of the impact of the Working Families Tax Credit (WTFC) on single parents, reported in *Why Money Matters,* shows that supporting family income can have a sudden and measurable impact on families:

"Children of lone parents report higher levels of unhappiness about school work, about their family and about life as a whole. On all these measures the gaps diminished after the WFTC was introduced, raising family income.

Reported relationships between child and mother improved. Children of lone parents report playing truant and smoking more often and are more often suspended from school and intending to leave school at age 16 compared with children living with two parents, although they are not more likely to be involved in fights. After the WFTC was introduced there was a marked narrowing in these gaps for playing truant and smoking. Perhaps most relevant here is that those reporting they intended to leave school at age 16 fell by 5 percentage points among teenagers of lone parents compared with just 1.6% in the case of children living with two parents. The impact of WFTC on lone parents came not just through direct transfer of money; the same study shows that WFTC induced 5% of lone mothers to move into work, and with the increased earnings those with children under 12 saw their real incomes rise by as much as 18%".[xxxiii]

This shows that targeting extra financial resource at low income families can have a direct impact on a range of important social policy areas and, where it supports households into work the financial benefit to the household is greater than the direct income transfer.

Myth 8: "Those who want to tackle relative poverty want to achieve total equality of income"

Whilst tackling inequality is important in improving children's lives, eliminating relative poverty is not the same as achieving total equality of incomes. As the point above sets out, it is perfectly possible for all low income families to fall between 60% and 100% of median income without needing to achieve complete equality of incomes across all families.

Challenges with the relative income measure

Despite our strong defence of the need to retain the relative poverty measure, Save the Children recognises that there are some valid challenges. The following section explores some of the challenges presented by the relative income measure.

Practical problems with the Family Resources Survey

There are a number of practical problems with the Family Resources Survey which lead some to suggest that it could never actually record a zero child poverty level. [xxxiv] There are challenges with the way in which the data is collected for those who are self-employed, meaning that a very small percentage of those who are self employed are recorded as on low incomes when they are not. This problem doesn't seem to arise for other surveys such as the Household Panel survey or Poverty and Social Exclusion survey.

It is therefore felt that there will always be a small percentage of short term poverty linked to changing family circumstances such as parents taking career breaks, experiencing a gap in incomes between jobs when the survey is carried out or ending work to go into education etc… It is suggested that this means the survey would always pick up households with no or very low incomes. This is a challenge presented by the way data is currently collected rather than a problem with the relative income measure itself. Data collection could be improved to reduce such instances.

The relative measure doesn't tell us everything

We recognise that measuring relative income poverty doesn't tell us everything about the experience of poverty. No one who makes the case in favour of the relative income measure has ever suggested that it does. There are a whole host of measures of children's outcomes (some reflected in the figures given in this report) which are well understood and give us a greater understanding of experiences of those living in poverty. There may be a case for focussing on expenditure as well as income to give us a clearer sense of the material well-being of children but measuring expenditure is problematic and should not be used in place of measuring income poverty.

Measuring extreme poverty

The relative income measure doesn't necessarily tell us about, what some may consider to be, extreme poverty, but the data used to develop the figures does allow us to look at deep poverty. Other income measures, based on the same dataset, of absolute poverty and persistent low income along with the focus on severe poverty included in the Government's Child Poverty Strategy enable an examination of different aspects of income poverty.

Falls in median income levels

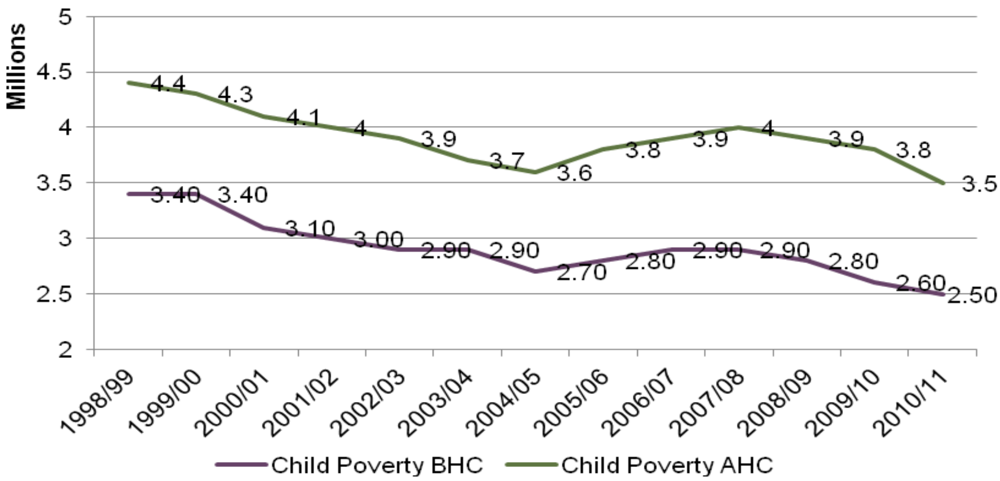
It is possible for the number of children living in poverty to fall if median incomes drop but the incomes of those households in poverty remain constant. Although this is uncommon it can mean that levels of child poverty fall even if low income households aren't financially better off. In principle, those on low incomes being moved closer to median income levels because the median has fallen can be seen as a good thing (based on the strong arguments in favour of focussing on relative poverty). However, median incomes tend to rise. Significant and sustained falls in child poverty will never be achieved through reductions in median incomes.

CHILD POVERTY IN THE UK TODAY

What has happened to child poverty since 1999?

A full table detailing levels of relative income poverty in recent decades is given in the appendix. Since 1999 significant progress has been made in reducing child poverty on both the relative and absolute measures. The graph below illustrates what has happened to relative income poverty (both before and AHC) since 1999.

Graph 1: Showing changes in the numbers of children living in poverty (in millions) BHC and AHC since 1999. NB: the figures for 2010/11 are based on IFS estimates.



Why did child poverty fall between 1999 and 2010?

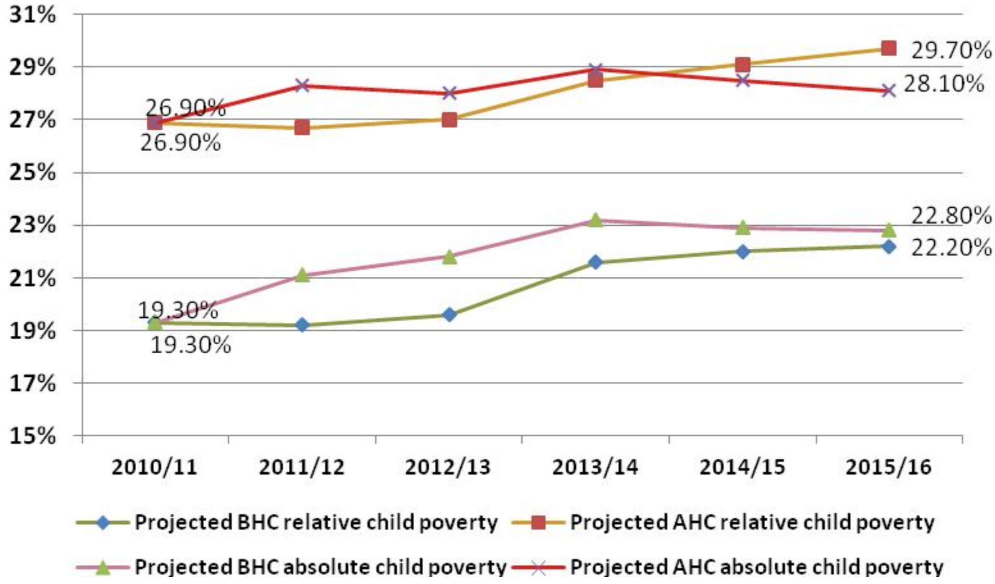
Over recent years we have seen reductions in child poverty as a result of increased financial support for families, efforts to make work pay through in-work credits and policies targeted at supporting parents into work (particularly single parents). There were also successes in improving children's life chances during this period which, whilst not having an immediate impact on child poverty numbers, are part of the broader approach needed to ensure reductions in child poverty are sustainable. [xxxv]

The debate has sometimes been simplified as being solely about income transfers but, as we saw with the experience of Working Families Tax Credit (now Working Tax Credit) income transfers can be targeted in a way which supports parents into work and enables them to bring in additional resources into the home beyond the value of the income transfer itself.

What is expected to happen in the future?

The IFS have projected child poverty rates between now and 2020 based on current tax and benefit policies. These projections show that the Government will fall considerably short of both the absolute and relative income targets. Child poverty is expected to increase considerably in the coming years.

Graph 2: Showing the percentage of children in poverty BHC and AHC to 2020 (note IFS have not projected child poverty in the years between 2016 and 2020)



The IFS projects that by 2020, relative child poverty (BHC) will have risen to 24.4% - around 2million children short of the 10% target. Absolute child poverty will be over 3.1million (BHC) and 3.7million (AHC).

Why is it going to get worse?

The IFS projections are based on the Government's tax and benefit policies. In particular, the decision to uprate benefits in line with the Consumer Price Index as opposed to the Retail Price Index is cited as a key driver behind the expected increased. This will mean benefits won't keep up with increased living standards, leaving those on the lowest incomes further and further behind. Since the IFS projections were published the Government has scrapped planned above inflation increases in Child Tax Credits for 2012 and 2013. This is likely to increase child poverty even further. These problems are being compounded by ongoing economic difficulties with parents struggling to find the decent, well paid and secure employment needed to lift themselves and their children out of poverty.

Is it too late to do anything?

The 2020 target remains a challenging but achievable goal. It has been suggested that the Government should recognise that meeting the 2020 target is impossible and that a new 'more realistic' measure and target be devised. [xxxvi] However, recent history shows that significant progress can be made on tackling child poverty. The key drivers of increasing child poverty in the UK (mainly welfare cuts) are decisions which can be reversed. It is a case of prioritising spending in a way that both directly lifts children out of poverty and also makes sure progress on reducing child poverty is sustainable.

Policy levers like Universal Credit show that, even in the age of austerity, progress can be made on tackling child poverty. The Government claims that Universal Credit will lift 350,000 children out of poverty (the IFS indicates that the figure could be as high as 600,000). This is largely driven by increased take up of benefits. The potential positive effects of UC of improving both the incentive to move into work and increased earnings from work could mean it has an even great impact on child poverty. Save the Children's recent report, *Ending Child Poverty: Ensuring Universal Credit supports working mums,* shows that relatively minor reforms and investments in Universal Credit would increase its capacity to reduce poverty further. [xxxvii]

CONCLUSIONS

This report is an important reminder of the importance of focussing on relative income poverty and incomes more generally when addressing child poverty. Poverty is the strongest indicator of poor outcomes for children across health, education and future employment prospects. There is no escape from the fact that cash counts when trying to tackle child poverty, reduce financial pressure on families, improve living standards and realise children's rights.

The introduction of Universal Credit will show that, even in times of austerity, policies remain capable of lifting children out of poverty. It is too soon to say that achieving the 2020 targets is impossible. These targets were always challenging, but they remain crucial if we're to realise a society free from child poverty. It is also too simplistic and fundamentally incorrect to say recent efforts to reduce child poverty have been a failure. Significant progress has been made in reducing both relative and absolute child poverty in the UK since 1999.

Society pays a heavy price for high levels of child poverty. The amount we lose through wasted potential and increased spending on benefits as a result of child poverty is £25billion. It is too soon to give up on the 2020 targets. Instead, policy makers must consider what has worked to date and what additional policy levers (such as tackling low pay, removing the cost of childcare as a barrier to employment, ensuring work pays through Universal Credit reforms and other labour market policies) can be utilised to directly lift children out of poverty.

This does not detract from our recognition that a focus on life chances and tackling characteristics of poverty, such as low educational attainment, aren't vitally important if we're to sustain reductions in child poverty and improve outcomes for children in the long term. Save the Children's ongoing policy and advocacy work in this area and our groundbreaking Families and Schools Together programme[xxxviii] reflect our broad approach to child poverty including early intervention and improving educational opportunities. These interventions are important and have a role to play in making reductions in poverty sustainable in the future.[xxxix] However, we remain unconvinced that focussing on life chances and social mobility alone will be adequate to help children realise their potential or drive down child poverty rates in the long-term and we are concerned that this focus doesn't address child suffering in the present, narrowing, rather than broadening, the debate about child poverty. Indeed, income poverty may actively undermine the impact and efficacy of the resources directed towards educational, health and other interventions.

Appendix: Relative child poverty since 1979 and absolute child poverty projections

Table 1: Number of children in relative poverty each year (millions) (percentages) [xl]

		AHC (millions) (percentage)	BHC (millions) (percentage)
FES (UK) *xli**[i]***	1979	2.0 (14%)	1.8 (13%)
	1981	2.8 (21%)	2.6 (19%)
	1987	3.3 (27%)	2.8 (23%)
	1988 and 1989	3.4 (27%)	3.1 (25%)
	1990 and 1991	3.9 (31%)	3.4 (27%)
	1991 and 1992	4.1 (32%)	3.5 (28%)
	1992 and 1993	4.4 (34%)	3.8 (29%)
	1993/4 to 1994/95	4.3 (33%)	3.6 (28%)
	1994/95 to 1995/96	4.4 (33%)	3.5 (27%)
	1995/96 to 1996/97	4.7 (35%)	3.8 (29%)
FRS (GB) *xlii**[ii]***	1994/95	4.1 (33%)	3.2 (25%)
	1995/96	4.2 (33%)	3.0 (24%)
	1996/97	4.3 (34%)	3.4 (27%)
	1997/98	4.2 (33%)	3.4 (27%)
FRS (UK)	1998/99	4.4 (34%)	3.4 (26%)
	1999/00	4.3 (33%)	3.4 (26%)
	2000/01	4.1 (31%)	3.1 (23%)
	2001/02	4.0 (31%)	3.0 (23%)
	2002/03	3.9 (30%)	2.9 (23%)
	2003/04	3.7 (29%)	2.9 (22%)
	2004/05	3.6 (28%)	2.7 (21%)
	2005/06	3.8 (30%)	2.8 (22%)
	2006/07	3.9 (30%)	2.9 (22%)
	2007/08	4.0 (31%)	2.9 (23%)

	2008/09	3.9 (30.3%)	2.8 (21.8%)
	2009/10	3.8 (29.1%)	2.6 (19.7%)
IFS	IFS modelling estimate 2010/11	3.5 (26.9%)	2.5 (19.3%)
	IFS modelling estimate 2011/12	3.5 (26.7%)	2.5 (19.2%)
	IFS modelling estimate 2012/13	3.5 (27%)	2.5 (19.6%)
	IFS modelling estimate 2013/14 xliii[iii]	3.7 (28.5%)	2.8 (21.6%)
	IFS modelling estimate 2014/15	3.8 (29.1%)	2.9 (22.0%)
	IFS modelling estimate 2015/16	3.9 (29.7%)	2.9 (22.2%)
	IFS modelling estimate 2020/21	4.2 (31.6%)	3.3 (24.4%)
	2020/21 Relative income target	N/a	1.3 (approx) (10%)

Table 2: Estimates of the number of children in absolute poverty between 2011 and 2020 (millions) (percentages)

	AHC (millions) (percentage)	BHC (millions) (percentage)
2009/10 (actual)	3.3 (25.7%)	2.2 (17%)
IFS modelling estimate 2010/11	3.5 (26.9%)	2.5 (19.3%)
IFS modelling estimate 2011/12	3.7 (28.3%)	2.8 (21.2%)
IFS modelling estimate 2012/13	3.7 (28.0%)	2.8 (21.8%)
IFS modelling estimate 2013/14	3.8 (28.5%)	3.1 (23.2%)
IFS modelling estimate 2014/15	3.7 (28.1%)	3.0 (22.9%)
IFS modelling estimate 2015/16	3.7 (28.1%)	3.0 (22.8%)
IFS modelling estimate 2020/21	3.7 (27.4%)	3.1 (23.1%)

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