Changes to the Child Poverty Act and the introduction of life chances reporting obligations

Briefing on Clauses 4-6 of the Welfare Reform and Work Bill
Lords Committee Stage – December 2015

About the End Child Poverty Coalition
The End Child Poverty coalition consists of over 100 organisations in the UK. Every day End Child Poverty members see the real impacts that poverty has on the daily lives of children today. Children lack basic living necessities such as a warm winter coat or properly fitting shoes and are unable to take part in activities with their friends. Low income affects direct measures of children’s well-being and development, including their cognitive ability, achievement and engagement in school, anxiety levels and behaviour. This has serious implications for their future life chances.

We believe that no child in the UK should face growing up in poverty.

Clauses 4-6 of the Welfare Reform and Work Bill, remove both the statutory target to eradicate Child Poverty by 2020, and the commitment to measure and report on the proportion of children living in poverty. The changes also remove a requirement to produce a national child poverty strategy, or for local authorities to produce local child poverty strategies.

The End Child Poverty Coalition supports amendments to (follow links for further detail in the document)

1. Restore a statutory commitment to measure and report on the existing child poverty measures,
2. Require the government to produce a child poverty and life chances strategy,
3. Require the Secretary of State to set a target date for eradicating child poverty in the UK,
4. Require local authorities to produce a child poverty and life chances strategy,
5. Introduce an in work child poverty measure.

Introduction

The Government is committed to tackling child poverty, but End Child Poverty is seriously concerned that the financial security of families is at risk in coming years:

- **Child poverty is rising**: Independent projections from the IFS show clearly that the falls in child poverty rates seen at the beginning of this century risk being reversed. By 2020/21, the IFS projects an increase of around 0.7 million children in relative child poverty and an increase of over a million in absolute child poverty compared to the 2010/11 baseline. If the proposals in the Bill are enacted we should expect child poverty to rise even more steeply, for example, in January 2013, the government estimated that the three years of 1 per cent uprating alone would put 200,000 more children in poverty by 2015/16.²

- End Child Poverty is particularly concerned around rising child poverty rates in working families. Our analysis of the latest available statistics shows that the number of children in relative income poverty in working families increased by 300,000 between 2010-11 and 2013-14.

- The Government’s Evidence Review of the Drivers of Child Poverty (January 2014) found that a lack of sufficient income from parental employment, *not just worklessness but low income from work*, is the most important factor standing in the way of children being lifted out of poverty.³ We welcome the Chancellor’s decision not to cut work allowances or increase tapers for Tax Credits but this is only a temporary reprieve, until Universal Credit is fully introduced.

  **Increases to the National Minimum Wage (NMW) and personal tax allowances are inadequate compensation for working families.**⁴ While welcome, deductions from benefits mean that low income families with children keep very little of any gain in earnings. In addition, any gains in earnings are substantially overshadowed by major cuts to social security entitlements.

At the same time, changes to the Child Poverty Act remove requirements to measure and report on child poverty rates in the UK, as well as removing the legally binding commitment to end child poverty by 2020. The End Child Poverty coalition is concerned that this will risk leaving the Government unresponsive to changes in child poverty rates over time, and mean that effective strategies are not in place to ensure that there is a concerted effort to continue towards the goal of eradicating child poverty in the UK.

For this reason the End Child Poverty Coalition supports the following amendments.

1. **Restoring a statutory commitment to measure and report on the existing child poverty measures**

   **Amendment 25**

   Page 4, line 38, at end insert –

   (e) percentage of children living in households where:

   (i) equivalised net income for the financial year is less than 60% of median equivalised net household income for the financial year.

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⁴ IFS Briefing Note BN175: An Assessment of the potential compensation offered by the new ‘National Living Wage’ for the personal tax and benefit measures announced for implementation in the current parliament.
What would this amendment do?
This amendment would ensure that the Government continues to measure and report on the number of children living in poverty on the current measures set out in the child poverty act. These are:

1. a relative low income measure (measuring the proportion of children living in households on less than 60% of median income)
2. a combined relative low income and material deprivation measure
3. an absolute low income measure (measuring the proportion of children living in households falling below a fixed income threshold, increased each year in line with inflation)
4. a persistent poverty measure (measuring the proportion of children who have been in relative income poverty in at least 3 out of the last 4 years)

Why support this amendment?
1.1 Child poverty is multifaceted – something that poverty campaigners have always understood – but access to resources is at the heart of it. In 1979, Peter Townsend defined poverty thus:

‘Individuals, families and groups in the population can be said to be in poverty when they lack resources to obtain the type 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.’

1.2 The principle of the existing Child Poverty Act – which had cross party support at its implementation in 2010 – was that no child in the UK should live in poverty, but that all should have financial security, a good home, and the educational opportunity they need to give them the best chance in life. It is essential that the government is accountable on the issue of child poverty, just as it is on worklessness and educational attainment.

1.3 Whilst at the moment the Government has said that it will continue to produce (although not to report on) the Households Below Average Income report – from which the headline child poverty rates are derived, without a statutory reporting requirement there would be nothing to prevent a future Government from ceasing to produce HBAI statistics. This should not be allowed to happen without a change in primary legislation and proper scrutiny from both Houses of Parliament - this can be ensured through this amendment.

1.4 The proposed new life chances measures – though valuable in themselves – amount, on their own, to not measuring poverty at all. Educational attainment and worklessness are relevant indicators that are linked to child poverty, but they are far from sufficient. In particular, two-thirds of children in poverty live in

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5 P Townsend, Poverty in the United Kingdom, Allen Lane, 1979
households where there is someone in work.Removing existing targets and replacing them with measures that ignore the increasing reality of in-work poverty will not get to the heart of understanding child poverty in the UK.

1.5 There is no perfect measure to understanding child poverty, but it is clear that income needs to be at the core. A 2013 JRF report undertook a major review of the relationships between income and children’s outcomes and concluded that money matters for children’s outcomes, independent of other factors. Other factors such as parental addiction, neglect, depression and so on may increase the risk of income poverty, and have effects on their own, but the most fundamental problem is that children growing up in households with low relative incomes will find it harder to thrive, both in absolute terms and relative to their peers.

1.6 The measures in the existing Child Poverty Act are the subject of years of deep thinking and serious research. In 2003, the Treasury conducted an extensive exercise to find appropriate measures, leading to a ‘tiered approach’, in which a suite of measures was used to try and capture an understanding of the extent of poverty. This later led to the four measures in the Act, which recognise both relative and absolute poverty, material deprivation, and the damage that persistent poverty can do to life chances. The recent recession underlined the need for the full suite of measures, rather than focusing on any single measure of child poverty.

1.7 When the previous government consulted on changing poverty measurement in 2013, a range of experts argued against doing so. Indeed, analysis of the responses, undertaken by Kitty Stewart and Nick Roberts at the Centre for Analysis of Social Exclusion at the London School of Economics, comes to the conclusion that “the planned changes stand in direct conflict with the vast body of expertise and opinion on the definition and measurement of child poverty”. The Royal Statistical Society, for example, described the existing relative measure as ‘the product of valid social science procedure’, arguing that ‘any replacement would need to be subject to the same degree of rigour, including a robust process of consultation’.

1.8 The Government’s own consultation showed near universal support for the inclusion of an income-based measure. Stewart and Roberts identify that of the 203 responses that refer to income, only nine felt that income should not be a headline measure, and only one (from a private individual) felt that income should not be included at all.

2. **Requiring the government to produce a child poverty and life chances strategy**

*Amendment 32*

*Page 5, line 16 at end insert –*

(7) The Secretary of State must publish and lay before Parliament a report, setting out the measures that the Secretary of State proposes to take to reduce child poverty and improve children’s life chances, as understood with reference to the measures in paragraph 1 of this clause, parts (a) through to (e)

*What would this amendment achieve?*

This amendment would require the Government to produce a “child poverty and life chances” strategy.

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Why support this amendment?

2.1 In addition to needing income measures to ensure that we effectively measure child poverty, the new measures are, at the moment, simply reporting requirements. They need to be accompanied by a strategy to give purpose and drive to reduce child poverty and improve all children’s life chances.

2.2 The Child Poverty Act 2010 required the UK Government to produce a child poverty strategy every three years, in order to set out the measures that the Government would take to eliminate child poverty in the UK. We believe that this requirement should continue.

2.3 The Government has announced that they intend to measure and report on life chances, but have not put in place any requirements to produce a life chances strategy. It would make sense for the Government to produce a combined child poverty and children’s life chances strategy - recognising the importance of setting out a strategic framework from Government for addressing both of these connected concerns.

3. Require local government to produce a child poverty and life chances strategy

Amendment 49

Page 5, line 16 at end insert -
(7) Responsible local authorities must prepare a joint child poverty and life chances strategy in relation to its area. This must set out the measures that the responsible local authority and each partner authority propose to take for the purpose of
   (a) reducing, and mitigating the effects of, child poverty and
   (b) improving children’s life chances, in the responsible local authority’s area.

(8) For the purposes of this section, each of the following is a responsible local authority—
   (a) a county council in England;
   (b) a district council in England, other than a council for a district in a county for which there is a county council;
   (c) a London borough council;
   (d) the Council of the Isles of Scilly;
   (e) the Common Council of the City of London in its capacity as a local authority.

What would this amendment achieve?
This amendment would require each local authority to produce a child poverty and life chances strategy.

Why support this amendment?

3.1 The existing Child Poverty Act 2010 also places a duty on local authorities to produce a child poverty needs assessment and to work collaboratively to eradicate child poverty. This has been enormously beneficial on a local level, where it has given impetus to local government departments and agencies to work together to tackle the causes and consequences of child poverty such as access to housing support, parental employment, early years education, and parenting skills. Producing child poverty needs assessments and strategies have helped focus local authority priorities.
3.2 A report examining child poverty strategies in London boroughs by the Child Poverty Action Group found that local authorities that were most heavily invested in the issue of Child Poverty were ones where the agenda had been taken up across the local authority and there was significant high level “buy in”. The report concluded that although local authorities face a challenging context for delivering strategies to tackle child poverty, action at the local level is more vital than ever.

3.3 Increasingly, many of the most important decisions made affecting child poverty and children’s life chances are made at a local level. This may include decisions addressing educational inequalities, right through to decisions about how to provide crisis support for families in emergency need. Local authorities have also recently been given responsibility for children’s public health, putting them at the heart of efforts to tackle issues such as obesity and tooth decay, which are linked to poverty and deprivation and lead to poorer outcomes and life chances.

3.4 For example, following the abolition of Crisis Loans and Community Care Grants, funding was provided for local authorities to produce “local welfare assistance” schemes, to provide help to families in emergency need. Producing a local child poverty strategy can play an important role in identifying the need for schemes like these to continue, especially in periods of financial constraint on local authorities.

3.3 It is imperative to give local authorities the impetus to make effective local partnerships and decisions to address child poverty. For this reason the Bill must include a continued requirement for local authorities to engage with and act on child poverty and children’s life chances.

4. **Require the Secretary of State to set a target date for eradicating child poverty in the UK**

*Amendment 33*

*Page 5, line 16 at end insert –*

(7) The Secretary of State must set out in regulations a target date for the eradication of Child Poverty in the UK. For the purposes of this paragraph child poverty must be understood with reference to the measures in paragraph 1 (e) of this clause, and the meaning of “eradicated” will be set out in regulations.

**What would this amendment achieve?**

This amendment would require the Secretary of State to set a target date by which the Government would aim that child poverty would be eradicated.

**Why support this amendment?**

4.1 The Child Poverty Act 2010 set out a requirement on Government to aim to eradicate child poverty in the UK by 2020. The targets set in the 2010 Act were ambitious and aspirational. They helped to paint a picture of the country that we want to live in, where no child is affected by the negative impacts of poverty. Child poverty impacts upon children’s education, health and well being. We know that –

- By GCSE, there is a 28 per cent gap between children receiving free school meals and their wealthier peers in terms of the number achieving at least 5 A*-C GCSE grades.  
- Children in poverty are:

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11 GCSE and equivalent attainment by pupil characteristics: 2014, Department for Education, February 2015
more likely to be born premature, have low birth weight and die in their first year of life;\textsuperscript{12} more likely to be absent from school due to illness, to be hospitalised, and have a long-standing illness;\textsuperscript{13} nearly three times as likely to suffer mental health problems;\textsuperscript{14} and more likely to suffer poor physical and mental health at age 33 and are at increased risk of severe, longterm and life-limiting illness.\textsuperscript{15}

4.2 The Government is right to require the targets to be adjusted to ensure that they are achievable, particularly in the face of the recent recession. However the targets should not be abandoned altogether. It is vital that we have a target in sight as a driver for progress and a long-term view of what we are trying to achieve.

4.3 Setting targets in place would help to drive action and ensure accountability for both current and future governments.

5. \textbf{Introducing a reporting duty on children in poverty in working families}

\textit{Amendment 24}

\textit{Page 4, line 38, at end insert—}

“(e) children in low income households where one or both parents are in work.”

\textit{Amendment 26}

\textit{Page 5, line 4, at end insert—}

“(g) low income; (h) in work.”

\textbf{What would this amendment achieve?}
This amendment would ensure that the Government measures and reports on the number of children living in poverty in working families.

\textbf{Why support this amendment?}
5.1 Too often it is assumed that a move into work is a move out of poverty for a family. However, 2.4 million children in poverty in the UK live in working families - nearly two thirds of all children in poverty. For this reason, the End Child Poverty coalition is particularly concerned about the lack of a measure of child poverty amongst low income working families.

5.2 The life chances reporting obligations set out in the Welfare Reform and Work Bill require the Government to report on the number of children in working families, but they do not require the Government to measure or report on the number of children living in low income working families.

\textsuperscript{12} Enduring Child Poverty: Everybody’s Business HM Treasury 2010
\textsuperscript{13} Enduring Child Poverty: Everybody’s Business HM Treasury 2010
\textsuperscript{14} Enduring Child Poverty: Everybody’s Business HM Treasury 2010
5.2 As stated previously, the Government’s own Evidence Review of the Drivers of Child Poverty (January 2014) found that a lack of sufficient income from parental employment, (not just worklessness but low income from work,) is the most important factor standing in the way of children being lifted out of poverty.\textsuperscript{16} If children in poverty in low income families are not included in the reporting duties, this will effectively ignore the 2.4 million children in poverty in working households.

5.3 The Government’s annual Households Below Average Income statistics allow us to calculate the number of children in poverty in working households, and how this has changed over time. Analysis of the statistics by the End Child Poverty Coalition show that that children in relative income poverty in working families increased by 300,000 between 2010 and 2014.\textsuperscript{17}

5.4 The increase is even greater when measured in terms of “absolute” poverty (whereby the poverty line is increased in line with inflation rather than increases in median household income.) HBAI Table 4.20ts shows that poverty on this absolute low income measure (after housing costs,) increased from 19% in 2010-11 to 23% in 2013-14. This means that children in “absolute” poverty in working families increased by 500,000 in this period.

5.5 This needs to be monitored and reported upon, and without a reporting duty this will not happen. For this reason End Child Poverty strongly support the inclusion of a requirement for the government to measure and report on the proportion of children in low income working families, within the life chances reporting obligations.

\textsuperscript{17}http://www.endchildpoverty.org.uk/hbai-analysis/