

# Britain's War on Poverty

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## In 1964 US President Lyndon Johnson declared war on poverty ...

“This administration, today, here and now, declares unconditional war on poverty in America. It will not be a short or easy struggle, no single weapon or strategy will suffice, but we shall not rest until that war is won.”

Lyndon Johnson, First State of the Union Address, January 8, 1964, <http://www.lbjlib.utexas.edu>;

<http://www.npr.org/templates/story/story.php?storyId=1589660>

## 35 years later, Tony Blair declared his own war on poverty ...

“Our historic aim will be for ours to be the first generation to end child poverty. It will take a generation. It is a 20-year mission. But I believe that it can be done if we reform the welfare state and build it around the needs of families and children.”

Tony Blair, Beveridge Lecture, March 18, 1999

[http://news.bbc.co.uk/2/hi/uk\\_news/politics/298934.stm](http://news.bbc.co.uk/2/hi/uk_news/politics/298934.stm)

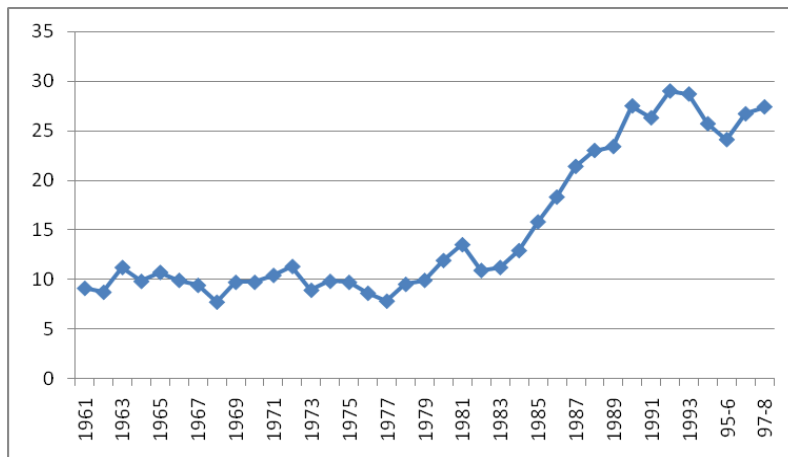
## Today's presentation will focus on 5 questions:

- Where did this pledge come from?
- What did the government do?
- What are the results to date?
- What are the next steps for the UK?
- What are the lessons for the US and other countries?

## I. Where did the pledge come from?

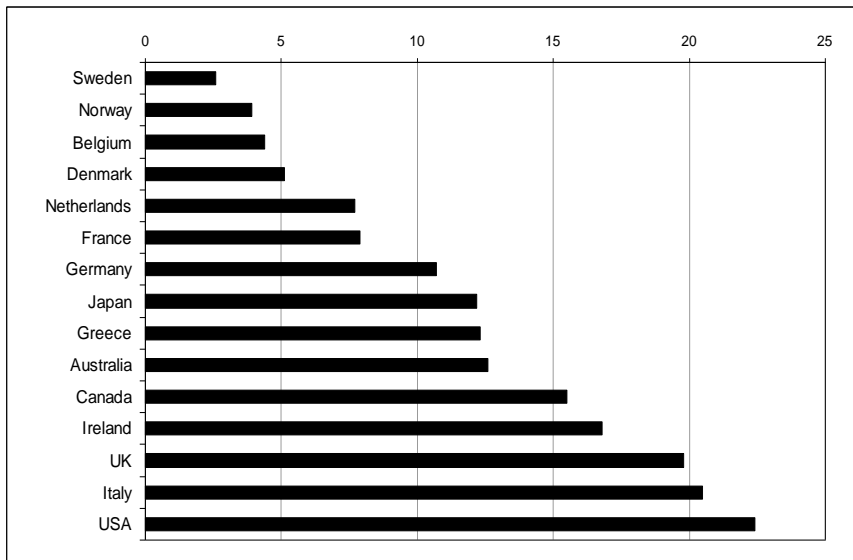
- When Tony Blair and the Labour party came into office in May 1997 – after 18 years of Conservative government – there was mounting concern about child poverty and inequality

Figure 1 – Percent of children in relative poverty had risen steeply [%]



Data from IFS, 2009. Relative poverty defined as income below 50% of average income, before housing costs.

Figure 2: Child poverty in UK was higher than in other countries [% with incomes <half median income]



Source: UNICEF (2000), data for mid-1990s.

## Support for the pledge

- Blair's pledge to end child poverty found widespread public support
- It was also strongly supported by then Chancellor (and later Prime Minister) Gordon Brown
- Brown put real resources in the campaign and set specific targets:
  - Reducing poverty by half in 10 years
  - Ending child poverty in 20 years

## II. What did the government do?

- The anti-poverty strategy had 3 parts:
  - 1) Promoting work and making work pay
  - 2) Raising incomes for families with children
  - 3) Investing in children

### 1) Promoting work and making work pay

- Welfare to work programs (New Deals)
- Measures to make work pay including:
  - National minimum wage
  - Working Families Tax Credit
  - Reduced payroll taxes for low-income workers
- But unlike in US, lone parents were not required to work (until very recently)

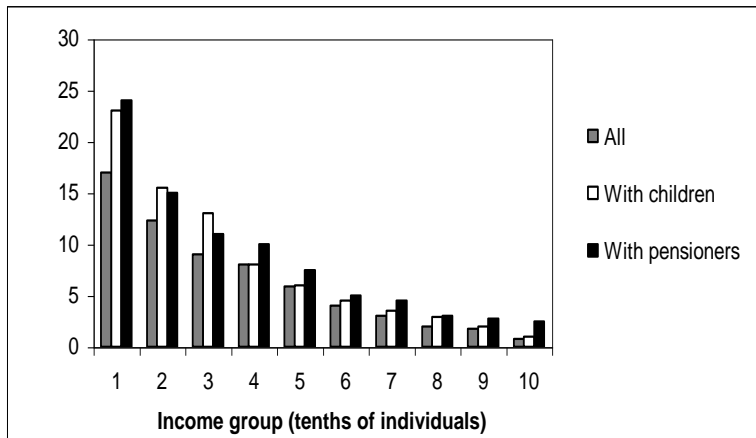
## 2) Raising incomes for families with children

- Significant real increases in:
  - Child Benefit
  - Welfare grants for children under 10
- New Child Tax Credit for low-income families
- New Child Trust Funds

## 3) Investing in children

- Paid maternity leave extended from 6 to 9 months
- Two weeks paid paternity leave
- Higher maternity grants for low-income families
- Right to request PT/flexible hours
- Universal preschool for 3- and 4-year olds
- Preschool for disadvantaged 2-year olds
- Sure Start for poorest areas, later Children's Centers
- Reductions in primary school class sizes
- Literacy hour and numeracy hour
- Increased education spending (from 4.5% to 5.6% GDP)
- Extended schools
- Educational Maintenance Allowances
- Proposed raising school-leaving age from 16 to 18

Figure 3: Reforms raised incomes most for low-income: impact of 1<sup>st</sup> 5 Labour budgets



Source: Sutherland (2001). Changes in income are relative to what they would have been under 1997 tax & benefit system (uprated for inflation).

### “One percent for the kids”

- Together, these anti-poverty initiatives amounted to a sizable increase in spending on children.
- By 2002-03, government was spending an additional £9 billion/yr -- 0.9% of GDP (Hills, 2003). Families with children gained £1200/yr in real terms; families in bottom quintile gained twice as much.
- By April 2010, families with children were £2000/yr better off; families in bottom quintile were £4500/yr better off.

### III. What are the results to date?

- When Blair declared war on poverty in 1999,
  - 3.4 million children were in poverty (relative or absolute)
  - 2.6 million were materially deprived
- By 2008/09,
  - Absolute poverty fell by 1.8 million – a >50% reduction.
  - Relative poverty fell by 600,000 – a 15% reduction.
  - Material deprivation fell by 400,000 – a 15% reduction.

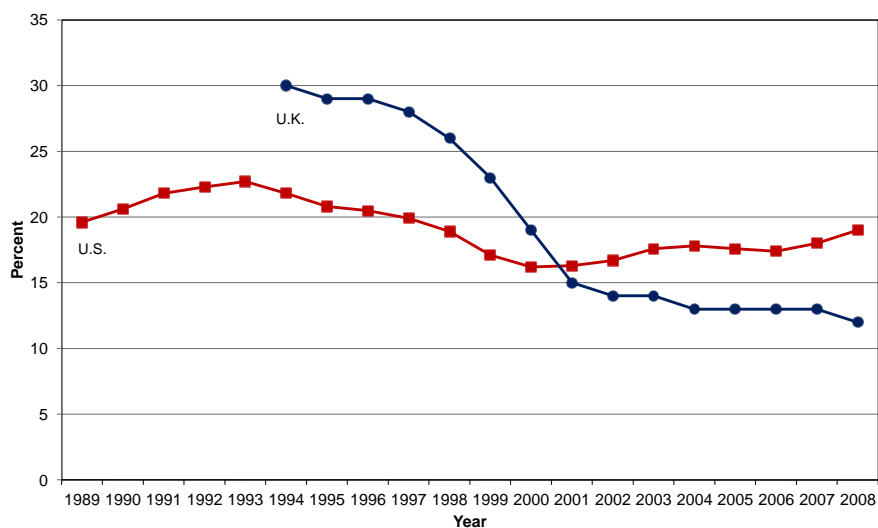
Note:

Absolute poverty is income <60% median in 1998/99, uprated only for inflation.

Relative poverty is income <60% contemporary median.

Material deprivation combines an index of lacking basic necessities & having low income.

Figure 1: Absolute Poverty in the U.S. & U.K. 1989–2008



Source: U.S. Census Bureau (2009); U.K. Department of Work and Pensions (2010); HBAI, 81.



Figure 5: Relative poverty trends in UK & EU15

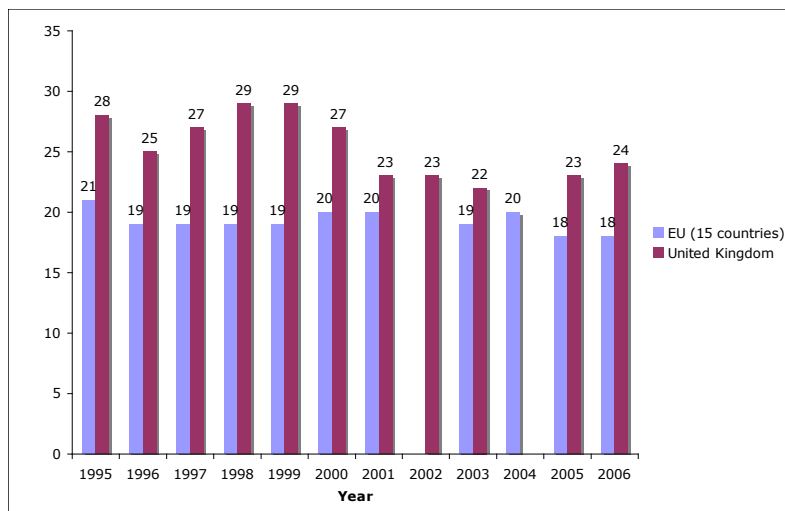


Table 1: Reforms led to dramatic reductions in financial stress & material deprivation among lone mothers

	1999	2002	2005	2006
<b>% with financial stress:</b>				
Worry about money almost always	45	30	27	29
Always run out of money	27	19	19	18
Problems with debt almost all the time	15	12	14	<i>na</i>
<b>% who can not afford:</b>				
Going away for one week holiday	74	58	53	53
Having company over for a meal	34	20	18	16
Celebrating special occasions	27	14	11	10
Toys and sports gear for children	24	12	7	7
Best outfit for children	20	13	10	<i>na</i>
Fresh fruit most days	17	8	6	<i>na</i>

Source: Stewart, 2008

## Reforms also led to improved child & family well-being

- Families with young children increased spending on items for children, decreased spending on alcohol and tobacco (Gregg, Waldfogel, & Washbrook, 2005, 2006)
- Adolescents in lone-parent families had improved mental health, school attendance, and school intentions (Gregg, Harkness, & Smith, 2007)
- Sure Start led to improvements in 7 of 14 outcomes assessed (2 parenting, 2 child health, and 3 child behavior) (NESS, 2008)
- Literacy and numeracy hours improved children's reading & math scores (Machin & McNally, 2008)

Table 2: There were also improvements in well-being of young people in UK, relative to other OECD countries

	2000-01		2005-06		Change
	Score	Rank	Score	Rank	in Rank
Eat fruit every day	27%	18/21	43%	3/21	(15)
Like school a lot	20%	16/21	37%	4/21	(12)
Peers kind & helpful	47%	20/21	72%	10/21	(10)
Condom last time	70%	11/14	82%	5/14	( 6)
Ever used cannabis	40%	19/20	25%	15/20	( 4)
Overweight	15%	17/22	13%	14/22	( 3)
Cigarettes once/wk	13%	16/21	8%	13/21	( 3)
3+ fights in last year	14%	16/21	14%	13/21	( 3)
>middle satisfaction	84%	16/21	85%	13/21	( 3)
Health fair or poor	23%	20/20	19%	18/20	( 2)
Breakfast every day	56%	16/21	64%	15/21	( 1)
Had sexual	37%	16/16	29%	15/16	( 1)
Bullied 2+ past mos.	10%	12/21	10%	12/21	( 0)
Drunk 2+ times	30%	21/21	24%	21/21	( 0)

Source: Stewart, 2008, Table 13.5.

Table 3: Data for US do not show similar improvements

	2000-01		2005-06		Change
	Score	Rank	Score	Rank	in Rank
Eat fruit every day	28%	18/21	40%	8/21	(10)
3+ fights last year	12%	12/21	10%	6/21	( 6)
Drunk 2+ times	12%	6/21	9%	4/21	( 2)
>middle satisfaction	83%	18/21	84%	16/21	( 2)
Ever used cannabis	36%	17/20	31%	16/20	( 1)
Eat breakfast daily	47%	20/21	49%	19/21	( 1)
Bullied 2+ past mos.	12%	14/21	12%	13/21	( 1)
Overweight *	25%	21/21	30%	21/21	( 0)
Health fair or poor	20%	19/20	23%	19/20	( 0)
Peers kind & helpful	53%	19/21	48%	20/21	(-1)
Like school a lot	23%	8/21	27%	9/21	(-1)
Cigarettes once/wk	7%	5/21	5%	9/21	(-4)

Note: Data from the World Health Organization's survey of *Health Behavior in School-Age Children [HBSC] 2001/2002 and HBSC 2005/2006.*

#### IV. Next steps for the anti-poverty strategy?

- Conservatives and Liberal Democrats endorsed the commitment to end child poverty (Child Poverty Bill)
- On taking office, Cameron emphasized his commitment to help the poorest and his commitment to the goal of ending child poverty by 2020
- And in the June 22 emergency budget, Osborne emphasized that “the policies in this Budget, taken together, will not increase measured child poverty over the next 2 years”
- But clearly resources will be very tight, meaning the government will face difficult choices

## Initial steps

- The government has announced some cuts already
  - Ending of Child Trust Funds
  - Elimination of baby tax credit, cancelling of infant/toddler tax credit, and reduction in CTC for families with incomes > £40,000
  - Elimination of health in pregnancy grant, and restriction of Sure Start maternity grant to 1<sup>st</sup> child only
  - Freezing of Child Benefit (for 3 years)
  - Uprating of benefits in line with CPI instead of RPI
  - Increased conditionality for lone parents (work required when youngest child starts school)
  - But this is to be offset by an increase in CTC of £150/yr above inflation, so that no children are made poor by the reforms
- The government has commissioned a poverty review by Frank Field

## The demographics of child poverty

- In making policy choices, the demographics of child poverty will have to be taken into account
- Today 55% of poor children are in working families:
  - 46% in 2-parent working families, 9% 1-parent working families
  - 29% in 1-parent workless families, 16% 2-parent workless families
- Poverty risk is higher if:
  - parent has disability (29-34% poor vs. 20-25% if none)
  - $\geq 3$  children (31% poor vs. 18-19% if  $< 3$ )
  - black or minority ethnic group (58% poor if Pakistani or Bangladeshi, 34% if Black or Black British, 33% if Chinese or other vs. 20% if white)

## These demographics create five challenges that the next set of policies must address

- 1: Do more to raise incomes in working families
  - Expand child care and in-work supports
  - Raise the value of the minimum wage
  - Improve incentives to work additional hours
  - Expand measures to raise skills and qualifications
- 2: Move more lone parents into work
  - Expand child care and in-work supports
  - Re-visit child support policies
- 3: Address poverty in workless two-parent families
  - Implement personal advising model
  - Expand child care supports

## Five challenges (continued)

- 4: Address disproportionate risk of poverty in some racial/ethnic groups
  - Conduct more ethnographic research
  - Continue experiments with local antipoverty strategies
- 5: Respond to underlying trends in income inequality
  - Continue to work to raise skills at the bottom
  - Attempt to rein in income gains at the top
  - Continue to use a range of poverty measures that recognize the distinction between absolute poverty, relative poverty, and material deprivation

## The measurement of poverty

- A crucial issue in making policy choices and assessing progress is the accurate measurement of poverty
- The UK uses three official measures of poverty – all of which are useful and should be continued
- There may be a case for additional poverty measures (asset poverty, time poverty, severe poverty, etc.)
- In the US, we are moving toward implementing a “quasi-relative” measure, but this will be used alongside our current absolute measure and possibly a material deprivation measure – following UK example!

## V. Lessons for the US and other countries?

- After two decades of rising inequality, Labour came into office committed to reducing child poverty, and with public support for that goal
- There are many lessons regarding the reform strategy (the UK promoted work and made work pay, but unlike the US also raised benefits for non-working families and increased investments in children), process, and politics.
- But the most important lesson is that it is possible to make a sizable reduction in child poverty, and that it is not necessary to identify all the details of the policy in advance
- If we think that there is nothing government can do to reduce child poverty – defined in American terms – the UK example clearly provides strong evidence to the contrary

For further information, see Jane Waldfogel (2010),

Britain's War on Poverty

New York: Russell Sage Foundation

<https://www.russellsage.org/publications/100106.273860>