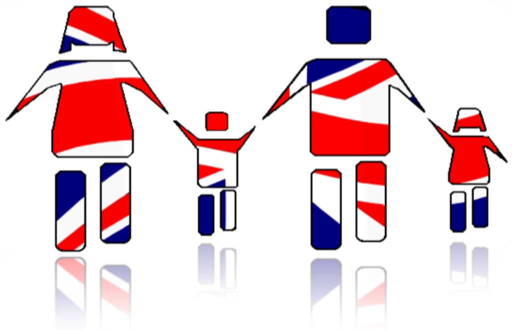


Doing Better for Families

United Kingdom

Sustained early years investment is needed to meet the UK's child poverty targets

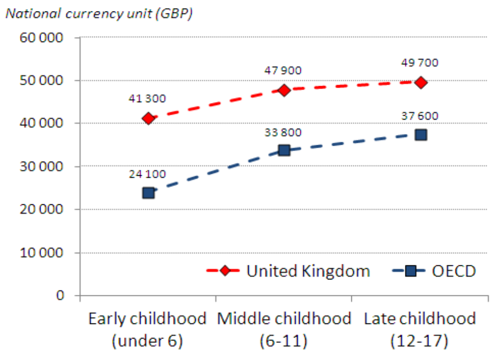
Between 2003 and 2007 the UK strengthened its position as one of the biggest investors in families in the OECD. Early years spending rose substantially, driven by new cash supports for children around birth and increased investment on childcare services. Today, spending cuts, such as cutting benefits for pregnancy and childbirth, and a freeze on child cash benefits, will affect many families.

In 2007 the UK spent more on children than most OECD countries, at just over 138 000 pounds sterling per child from birth up to the age of 18, compared to an OECD average of just under 95 000 pounds.

Before the financial crisis, and during a period of increased investment (1995 to 2005), child poverty in the UK fell more than in any other OECD country (in 2005 it was 10.5%, down from 17.4% in 1995, compared to an OECD average of 12.7%); in the same period the growth in average family income was third highest in the OECD. Progress in child poverty reduction in the UK has stalled, and is now predicted to increase, and so social protection spending on families – particularly via family service provisions, as a longer-term solution to poverty risks – needs to be protected.

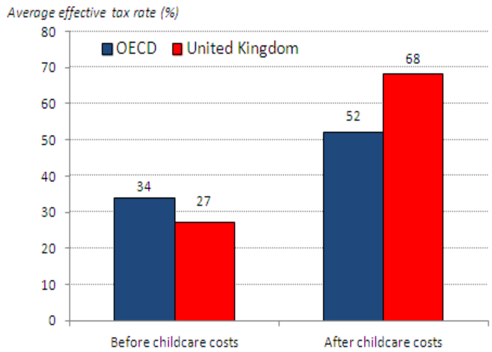
The UK spends more per child than most other OECD countries, particularly in the early years

Cumulated public spending per child in 2007



Childcare costs represent a barrier to dual earner families in the UK

Effective tax rate on second average income earned in 2008



For instance, cutting back on early years services will make it difficult for the UK to achieve its policy of making work pay for all. Providing services such as affordable and good quality local day-care centres, with flexible opening hours, is key to helping families with children on low-incomes into work.

To this end, the plan outlined in the UK Child Poverty Strategy to extend the 15 hours of free early education services to disadvantaged children as young as 2 is a positive step for well-being of these children and the job prospects of their parents. Nonetheless childcare costs can remain a barrier to work for parents higher up the income scale, and there is room in UK policy for an effective childcare supplement for working parents.

In the UK, before accounting for childcare, the cost of entering work for an average-wage family's second earner is lower than the OECD average. After accounting for childcare, over two-thirds of the family's second wage is effectively taxed away: a rate that is well above the OECD average (68% in the UK vs. 52% on average in the OECD).

Moreover, entering work for low income families does not ensure their children live free of poverty. Gross earned incomes in the United Kingdom need to be at least half of the average wage per employed parent (16 500 pounds in 2008) to ensure most families raising children are not at risk of poverty in the children's early years.

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