

# *Introduction*

**I**n March 1999, British prime minister Tony Blair made a dramatic pledge to end child poverty in the next twenty years. The announcement startled the journalists, advocates, and academics he had invited to hear him address child poverty at Toynbee Hall, a settlement house in the East End of London. None among them would have dared imagine he would make such a bold pledge or commit his government to such an ambitious agenda of reform.

Yet, once the pledge was made, it took on a life of its own. Overnight it seemed only right that the government should be aiming to reduce child poverty significantly and to promote more equal life chances for children. And this was not just the view of Blair's Labour Party and its supporters. Even the tabloid press got on board, agreeing with the prime minister that "the child born on a run-down housing estate should have the same chance to be healthy and well-educated as the child born in the leafy suburbs."<sup>1</sup>

What did Blair mean when he pledged to eliminate child poverty, and where did this remarkable pledge come from? What did the government do to reduce child poverty, and what success has it had? Has child poverty been significantly reduced in Britain, as the government pledged, and if so, how has this been accomplished? After a decade of reform, what are the next steps for Britain? And what can the United States and other countries learn from Britain's experience?

This book answers these questions, telling the story of Britain's war on child poverty and drawing out lessons for future antipoverty efforts, both in Britain and elsewhere. The story is a timely one: the ten years that have elapsed since Britain's war on poverty began give us enough time to see the scope of the effort and begin to gauge its effects.

When Britain declared its war on child poverty in 1999, 3.4 million children—one in four—lived in poverty. Within five years, the child poverty rate (measured in relative terms, as is customary in Britain) fell from 26 percent of all children to 22 percent as half a million children moved out of poverty.<sup>2</sup> This was no mean achievement given that a relative poverty line moves up as average incomes rise (as they did quite rapidly in Britain during this period).

On an absolute poverty line, like the one used in the United States, British progress was even greater. Child poverty measured with an absolute

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line fell by nearly half in the first five years of the British antipoverty effort, from 26 percent to 14 percent, as the number of children in poverty fell by 1.6 million.

So, on both measures, Britain made substantial progress in reducing child poverty in the first five years of its initiative. Although progress slowed after those first five years as public finances were strained and other spending priorities came to the fore, the record nevertheless continues to be impressive. Data from 1999 to 2007 (the most recent year for which figures are available) indicate that 500,000 children have been moved out of poverty defined in relative terms, a reduction of about 15 percent, while 1.7 million have been moved out of poverty defined in absolute terms, a reduction of 50 percent. The relative child poverty rate has fallen from 26 to 22 percent; if measured in absolute terms, child poverty was reduced from 26 to 13 percent.

As of late 2009, the Labour government was still holding to the target of cutting child poverty in half in ten years and ending it in twenty. And the government had filed legislation to enshrine this commitment in law so that future governments would be bound by it.

While Britain was tackling child poverty, the United States was focusing on “ending welfare as we know it.”<sup>3</sup> Beginning with “waivers” that allowed states to alter their welfare programs in the early 1990s and culminating with the passage of the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, the United States drastically reformed its approach to cash assistance for low-income families. Under PRWORA, no family could claim federal welfare benefits for more than five years (in their lifetime), and states were free to impose even shorter limits. At the same time, a number of measures, including substantial increases in the Earned Income Tax Credit (EITC), were passed in an effort to make work pay. These reforms were primarily aimed at altering the employment behavior of single mothers, and they were largely successful in doing so. The measures moved thousands of single mothers into work, and for many of them work did pay enough to keep them out of poverty. Others struggled, however, to make ends meet on low-wage work, and some were not able to make the transition from welfare to work. The reforms also affected low-income two-parent families, who were net gainers: they benefited from the reforms to make work pay, while not losing too much in welfare benefits (which they were unlikely to have been eligible for in the first place).

In 1992, when these reforms began, the child poverty rate in the United States was 19 percent measured in absolute terms on the official U.S. poverty line, and 38 percent measured in relative terms, as the Europeans do. By 2001, nearly a decade into the reforms, child poverty measured in absolute terms had fallen to 13 percent (which turned out to be a record low;

child poverty rose again after 2001). The decline in absolute child poverty from 1992 to 2001 amounted to a reduction of about one-third from its starting level; this was good progress, but not as good as the British progress in cutting absolute poverty in half over a shorter time period. Child poverty measured in relative terms remained high, at 35 percent, a reduction of less than one tenth from its starting level, versus the one-sixth reduction in Britain.<sup>4</sup>

Although the British reforms had much in common with U.S. reforms, the British initiatives were much more sweeping. Besides reforms to promote work and make work pay that were similar to the welfare-to-work initiatives emphasized in the United States, the British measures also included increased unconditional financial support for families and a host of investments in children that were aimed at tackling poverty in this generation and the next one. There is much for the United States to learn from these wider-ranging efforts. Not all of them worked as planned, but taken together, the British package was successful in reducing poverty and improving children's life chances.

This book tells the story of those reforms. Before getting under way, I believe that a word of explanation is in order about the unit of analysis and the terminology. My focus is on the reforms at the national level implemented by the New Labour government that came into office in 1997. Over the ensuing decade, responsibility for some aspects of policy was increasingly devolved to the regional level, but most of the policies discussed here remained nationally led. Thus, my focus is on the national level. I refer to the country as "Britain" because that is the term that will be most familiar to U.S. readers. As many readers will know, however, "Britain" technically refers to three regions—England, Scotland, and Wales—while the term "United Kingdom (U.K.\*)" refers to four—England, Scotland, Wales, and Northern Ireland. To the extent possible, I present data on income, poverty, and inequality at the national level. (Where this is not the case and data either refer specifically to just one region or differ sharply by region, this is noted.)

## THE BACKGROUND TO THE REFORMS

The first chapter takes us back to the period leading up to March 1999, when Prime Minister Blair surprised the nation with his pledge to end child poverty. The 1990s had seen unprecedented levels of poverty and inequality in Britain, and it was growing recognition of and concern about these trends that spurred Blair into action and generated such a strong public mandate for change. By the mid-1990s, one in four British children were poor using the most commonly accepted measure of child poverty (up from fewer than one in ten in the 1960s), and Britain had a higher

child poverty rate than any other peer country except the United States. Britain (along with the United States) also had a higher level of income inequality than peer nations.

The British statistics also showed that one in five children were growing up in “workless” households (households with no adult in the labor force), a much higher share than in other countries. Contributing to this was the high share of children in lone-parent (primarily single-mother) families, which had risen from 13 percent of all families with children to 23 percent between 1979 and 1997.<sup>5</sup> Most of these lone mothers were not working at all, and only about one in five worked full-time.<sup>6</sup> A further concern was that a growing share—40 percent—of lone-mother families were headed by women who had never been married, meaning that their children were likely to spend more years in lone-parent families and were less likely to receive child support from their fathers than children whose mothers had previously been married.

In addition to these disturbing statistics, two other types of evidence set the stage for the British reforms. The first was a body of work showing that poverty had lasting effects on children’s life chances. The second was research, much of it conducted in the United States, showing that well-designed programs could be effective in redressing those effects and improving children’s life chances.

British public attitudes toward welfare and poverty also helped set the stage for reform. Survey data pointed to widespread support for the idea that government should do something about poverty, but also indicated that the public favored a nuanced strategy. The Labour Party would in fact implement such a strategy, one that stressed “work for those who can and security for those who cannot.”

Taken together, this evidence convinced British policymakers that they could, and should, do something about child poverty. But not even his closest advisers expected Blair to make his remarkable pledge in March 1999 to end child 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.”<sup>7</sup>

As mentioned, the pledge immediately took on a life of its own. The commitment to end child poverty in twenty years and to cut it in half in ten was enthusiastically taken up by members of the government. In particular, Gordon Brown, who was then chancellor of the Exchequer (and later prime minister), put real money into the antipoverty initiative and also set specific targets for reform. Over the next decade the Treasury and other departments implemented a wide-ranging strategy to tackle child poverty and monitored its success.

## **TACKLING CHILD POVERTY: THE ELEMENTS OF THE REFORM STRATEGY**

The British antipoverty strategy has three distinct parts: promoting work and making work pay; increasing financial support for families with children; and investing in children. The three components are interrelated, but it is useful to consider them separately, since each had its own rationale and distinctive features.

### **Promoting Work and Making Work Pay**

The first strand of the British reform package—a set of measures to promote work and make work pay, described in chapter 2—had much in common with U.S. welfare reforms and in fact drew heavily on U.S. research. At the center of the British work-focused reforms were a series of welfare-to-work programs, collectively known as the New Deal. These programs were strongly influenced by evidence from U.S. welfare-to-work experiments and, again, had many elements in common with them.<sup>8</sup> However, unlike the approach taken in the U.S. welfare reforms aimed at single mothers, the New Deal for Lone Parents (NDLP) at its inception in 1997, was an essentially voluntary scheme that reflected more traditional attitudes about the question of whether mothers should work, particularly when their children are young. It was not until 2001 that lone parents began to be required to attend work-focused interviews, although even then they were not required to actually work or look for work. And it was not until 2008 that some lone parents—those whose youngest child had reached the age of twelve—were required to actually work or look for work as a condition of receiving benefits.

To help make work pay, the New Labour government also brought in Britain's first national minimum wage (NMW) in April 1999. The minimum wage also drew on evidence from the United States, but was implemented at a higher level. Its initial value was 45 percent of median British hourly earnings, whereas the U.S. minimum wage was worth about 38 percent of median U.S. hourly earnings that year. The value of the British minimum wage was adjusted upward every year thereafter, with the result that by 2009 it was considerably more generous than the U.S. minimum wage: it was set at a value of about 50 percent of median British hourly earnings as opposed to about 40 percent in the United States. Taxes were also reduced for low-income workers and their employers.

A further measure to make work pay was the government's introduction of a new tax credit in October 1999, then known as the Working Families Tax Credit (WFTC), for couples with children or for lone parents who

were working sixteen or more hours per week (with higher benefits if they worked thirty or more hours). The WFTC replaced an earlier in-work benefit program in Britain but was considerably more generous and also included more support for child care costs. It went to twice as many families as the prior program, and its total cost more than doubled (because benefits per family were higher). In 2003 the WFTC was replaced by the Working Tax Credit (WTC), which was even more generous and included even more support for child care costs. The expansions in the WFTC (and its successor, WTC) were inspired by evidence on the U.S. Earned Income Tax Credit, which had been expanded several times since its introduction in 1975, but most substantially in the mid-1990s as part of the U.S. efforts to make work pay. However, unlike the EITC, which is mainly claimed annually, the WFTC (and WTC) are paid regularly throughout the year.

Did the British reforms succeed in promoting work? The answer is certainly yes. Lone-parent employment increased by twelve percentage points—from 45 percent to 57 percent—from 1997 to 2008.<sup>9</sup> This is an impressive increase, particularly considering that most of the reforms in this period consisted of carrots rather than sticks. It is also impressive relative to the United States, where single-mother employment during welfare reform rose by a comparable amount (about thirteen percentage points) from 1990 to 2000, but under a more punitive set of reforms.<sup>10</sup> As in the United States, it is difficult to separate the causal effects of the reforms from the effects of the strong economy that prevailed throughout most of the decade, but evidence from careful analyses suggests that the British reform programs were responsible for at least half of the growth in employment among lone parents, with the strongest effect on increasing the share of lone parents working at least sixteen hours per week.<sup>11</sup>

The reforms also reduced the number of lone parents on welfare. Overall, the number of lone parents receiving benefits through the means-tested welfare program for nonworking families fell from 1,030,000 in 1997 to 740,000 in 2008, a reduction of over 25 percent. These are, of course, much lower caseload declines than those seen in the United States after welfare reform, but this makes sense given the more drastic nature of the U.S. reforms.<sup>12</sup>

The reforms were also successful in making work pay. Taken together, the minimum wage and the more generous in-work supports (in particular, the increased tax credits and reduced taxes) substantially increased the income that the most disadvantaged families could expect from work, with particularly large gains for lone-parent families. For example, a lone parent working thirty hours per week at the minimum wage and claiming the available benefits and tax credits would have had a net income of £163.73 per week in 1998, equivalent to 101 percent of the poverty line (for

a family of her type in that year). By 2008 her net income under the same scenario would have risen to £348.04 per week, or 123 percent of the now higher poverty line.

### **Increasing Financial Support for Families with Children**

The second strand of the British reforms, detailed in chapter 3, was a set of changes to the tax and benefit system to increase the incomes of families with children, even those in which parents were not working. Thus, the British reformers made an explicit decision to not focus solely on reforms to promote work and make work pay, but also to invest substantial resources in increasing financial support for all families with children, whether or not the parents worked. This stands in sharp contrast to the position adopted by the United States, which over the period of welfare reform increasingly made support for children contingent on parental employment. As a result, the British reforms included more universal provision (because supports were intended to reach all children whether or not their parents worked).

The reforms in this area included significant real increases in the value of the universal child allowance; known as Child Benefit, this is a very popular program for which all families with children are eligible. Child Benefit is paid to the mother on a regular basis throughout the year and is understood to be intended to help parents cover the costs of children.

In addition to the expansions in the universal Child Benefit, the reforms also included a new, quasi-universal child tax credit, which reaches all but the highest-income families and, unlike the WFTC (and its successor WTC), is not conditioned on parental employment. Like the WFTC and the WTC, this new credit was phased in over time; beginning with a new Children's Tax Credit in 2001, it was replaced with the integrated Child Tax Credit (CTC) in 2003. Since all but the highest-income families are eligible for it, the CTC reaches about 80 percent of families with children. Like the WTC, it is paid on a regular basis throughout the year. And like Child Benefit, it is paid to the mother.

Reflecting increased attention to the importance of early childhood, several of the benefit reforms were targeted to young children. For instance, families with infants received an extra amount of Child Tax Credit (known as "the baby tax credit"). And families with young children received larger increases in the value of their means-tested welfare benefits than did families with older children. These benefits had historically provided higher amounts to families with older children, on the grounds that the costs associated with older children are higher. The reforms in this

period equalized benefits upward, so that families with younger children received as much as those with older children.

Taken together, these reforms have substantially raised the amount of support that families with children receive. And although some increases are delivered through universal or quasi-universal programs, nevertheless the largest gains have gone to the lowest-income families. By 2010 the average family with children will have gained £2,000 per year in real terms, while the bottom 20 percent will have gained £4,500—an amount equivalent to about 24 percent of the poverty line for a two-parent family with two children.<sup>13</sup>

The expansions in financial support for families, regardless of employment status, stand in sharp contrast to the approach taken in the United States. Although benefits for low-income families with working parents did increase substantially over the period of welfare reform, the same was not true of benefits for nonworking families. Welfare benefits in the United States continue to lose value in real terms. And even if one takes into account the recent expansions in in-kind programs—such as child care, nutrition, and child health insurance—these do not match the increased direct financial support provided in Britain to low-income families in which parents do not work.

### **Investing in Children**

The third component of the British antipoverty agenda was a set of increased investments in programs and services for children. These investments had the goal of improving outcomes for the current generation of children in low-income families as well as the next generation.

As discussed in chapter 4, programs for preschool-age children were particularly emphasized.<sup>14</sup> In May 1997, shortly after coming into office, the Labour government announced Britain's first national child care strategy. The signature element of the strategy was a commitment to provide universal—and free—preschool for all four-year-olds by September 1998, a commitment that was extended to three-year-olds in 2004. This new entitlement, which was enthusiastically taken up by parents, moved Britain from having one of the lowest preschool enrollment rates in Europe to being on a par with its European peers, most of whom had universal or near-universal participation in publicly provided preschool in the year or two prior to school entry.<sup>15</sup>

For families with younger children, the government expanded not only support for child care provision but also parental leave rights. In common with most other advanced industrialized nations (although not the United States), Britain already had a system of paid maternity leave, but the leave it provided (eighteen weeks) was relatively short by European stan-



dards.<sup>16</sup> The Employment Act of 2002 increased the period of statutory maternity leave to six months of paid leave followed by up to six months of unpaid leave, and it established two weeks of paid paternity leave. The act also introduced the right of parents of children under the age of six to request part-time or flexible work hours, to go into effect in April 2003. This policy brought Britain into compliance with a European Union (EU) directive requiring member countries to provide a right for parents of young children to have the opportunity to switch to part-time or flexible hours. The policy proved to be so successful that, following a review in 2008, it was extended to cover parents with older children (up to the age of sixteen), effective April 2009.<sup>17</sup> Parents also benefited from Britain's parental leave program (established in 1999), which provides three months of job-protected parental leave that mothers or fathers can use to meet child care responsibilities or to address a family emergency.

Britain's ten-year child care strategy, released in 2004, extended these child care reforms in several ways. Paid maternity leave was extended to nine months, with a promise to later extend it to twelve months. Free child care for disadvantaged two-year-olds was piloted. And the hours of preschool provision were increased for three- and four-year-olds. In addition, the ten-year child care strategy included a number of measures aimed at raising child care quality. Child care facilities have come under the inspection of Ofsted (Office for Standards in Education), the same agency that inspects schools, and the government is working to raise teacher qualifications in the child care sector. The government has also taken steps to ensure sufficient provision of good-quality care. This goal was enshrined in legislation in the Child Care Act of 2006, which makes local areas responsible for providing adequate child care for all working parents who want it.

For disadvantaged children ages zero to three, the government established Sure Start, a community-based program for families living in the lowest-income areas.<sup>18</sup> Sure Start programs had to offer a core set of services (such as additional home visiting for families with newborns and the offer of a child care place for three-year-olds) but were otherwise free to develop and implement their own distinctive programs. Evaluating this diverse set of programs proved challenging. An early (2005) evaluation found few significant positive effects of the programs on children and families, and some adverse effects for some disadvantaged groups. However, a later (2008) evaluation of the more mature Sure Start programs then in existence found improvements in seven of the fourteen outcomes measured: children in Sure Start areas scored better than their peers in non-Sure Start areas on three measures of behavior, two measures of child health, and two measures of parenting. Moreover, there were no negative effects for disadvantaged subgroups, as there had been in the first evaluation.

The investments in children also included a series of initiatives to improve outcomes for school-age children, described in chapter 5. A major emphasis was improving schools and closing gaps in achievement. In this respect, the British reforms were somewhat similar in spirit to the U.S. reforms under the 2001 No Child Left Behind Act. However, the British reforms differed in being more directly led by the central government, which plays a much larger role in education than does the federal government in the United States.

An early initiative—fulfilling a promise made in the 1997 election manifesto—reduced primary school class sizes to not more than thirty pupils. Another early initiative was the literacy hour, which required primary school teachers to spend an hour each day on literacy instruction and provided guidelines as to how that hour was to be spent.<sup>19</sup> This program was found to produce small but persistent gains in reading (and to a lesser extent, math), at a very low cost (just £25 per pupil). A similar initiative—the numeracy hour—required primary school teachers to spend an hour a day on math instruction. This too was found to be cost-effective in raising student achievement.<sup>20</sup>

Improving secondary school achievement received less attention initially, but that effort grew in importance over time and in particular took on more emphasis in Labour's second and third terms in office.<sup>21</sup> A challenge in the British context was not just to increase the quality of secondary schooling but also to induce more young people to stay in school beyond the minimum school-leaving age (age sixteen). To provide an incentive for low-income youth to complete more education, the government began a pilot program of educational maintenance allowances (EMAs) in the fall of 1999.<sup>22</sup> The EMA gave sixteen- to nineteen-year-olds from low-income families a payment of between £5 and £40 per week (depending on their family income) so long as they were enrolled in school; the program also provided some bonuses for those who satisfied certain attendance and achievement goals. Evaluators found that the EMA raised the share of youth staying in school after the school-leaving age by nearly six percentage points, with 71.3 percent of youth in EMA areas staying on versus 65.5 percent in control areas.

Nevertheless, Britain still had relatively low rates of young people staying in school compared to other peer countries. So in 2008, the government announced its intention to raise the school-leaving age to seventeen in 2013 and to eighteen in 2015, the first increases in the minimum school-leaving age since it was raised from fourteen to sixteen in 1973. This commitment was enacted in the 2008 Education and Skills Act. That same year, the government introduced the "September guarantee"—a promise of a place at a school or work-based training or education program for every sixteen-year-old leaving secondary school. This program was later

extended to cover seventeen-year-olds as well,<sup>23</sup> and in spite of severe budget constraints the 2009 budget restated this commitment and included funds for the initiative.

Another thrust of reform was a set of measures to improve secondary schools, with particular attention to raising quality in the worst-performing schools. Several initiatives directed more funding to secondary schools in the most disadvantaged urban areas. There were also initiatives to partner low-performing schools with leaders from higher-performing ones.

The government invested substantial resources in these education reforms. Per capita spending on education doubled in real terms between 1997 and 2007.<sup>24</sup> How successful were these reforms? The pupil test score data, which I review in chapter 5, provide a fair amount of evidence that the early primary school reforms were successful in raising achievement for seven- and eleven-year-olds, and further gains—as well as progress in gap closing—were evident for eleven-year-olds in the later years. The data also indicate that progress was made in raising achievement and closing income-related gaps at the secondary school level and that the government largely succeeded in fulfilling its aspiration of doing away with failing secondary schools.

Programs were also implemented to improve the conditions experienced by children outside of school. The New Deal for Communities invested £2 billion over ten years in thirty-nine very deprived neighborhoods, with the goal of promoting local employment as well as improving housing and the physical environment.<sup>25</sup> Nutrition, health, and recreation programs for children were also expanded.

## ONE PERCENT FOR THE KIDS

Taken together, these antipoverty initiatives amounted to a sizable expansion in benefits and services for children. In 2003, in a paper prepared for the Brookings Roundtable on Children, John Hills estimated that the average family with children gained £1,200 per year (comparing actual tax and benefit rates in 2002–2003 with what was in effect in 1996–1997, adjusting only for inflation) and that families in the bottom quintile gained twice as much.<sup>26</sup> In aggregate, this amounted to nearly £9 billion per year, an amount equivalent to nearly 1 percent of Britain's gross domestic product (GDP).<sup>27</sup> To put this figure in perspective, if Washington committed an additional 1 percent of the U.S. GDP to eliminate child poverty, this would amount to about \$130 billion.<sup>28</sup> The U.S. audience was so struck by this figure that *One Percent for the Kids* became the title of the resulting conference volume.

Where did the money for the reforms come from? Part of the answer lies in the fact that the reforms were focused on *child* poverty rather than

poverty in general. Thus, while benefits and services for children increased sharply over the decade, spending was reduced for programs for working-age adults without children. The government also benefited from the strong economy and low unemployment rates of the late 1990s and early 2000s, which reduced the demand for adult means-tested and unemployment benefits and led to further savings as well as increased tax revenues that could be spent on children. As a consequence, overall spending on the British welfare state as a percentage of GDP did not change much over the decade; what changed was the portion of that spending directed to children rather than working-age adults. The only source of revenue dedicated to spending on social welfare programs that increased substantially over this period was windfall profits taxes on utility companies, which since privatization had yielded substantial profits to their new owners.<sup>29</sup>

However, as we shall see in subsequent chapters, midway through the reforms the rate of increase in spending for the child poverty initiative slowed. In 2001, facing reelection, Prime Minister Blair came under increasing political pressure to deliver improved public services for the middle class, particularly in sectors such as health and education.<sup>30</sup> Accordingly, he shifted some discretionary spending toward those sectors. Although some health and education programs (such as Sure Start) disproportionately benefited low-income children, many (such as programs to reduce waiting times in the National Health Service [NHS]) did not. Later, around 2003, the economy started to slow and the government saw fewer savings in adult benefits and unemployment claims. As a result, benefits were not expanded as generously that year and in subsequent years as they had been in the initial years of the reform. After the first anti-poverty target was narrowly missed in 2004, and with the next target not due until 2009 or 2010, the government's attention shifted to other priorities.

Although the pace of the reforms had slowed, nevertheless by 2009 the additional amount invested in children amounted to over 1 percent of GDP per year. And each of the initiatives begun in those first few years of the Labour government had expanded and evolved over the decade of reform. (For a chronology of the major reforms, see appendix 1).

## **WHAT DID THE REFORMS ACCOMPLISH?**

Chapter 6 returns to the core goal of the reforms—reducing child poverty—and presents the latest evidence on the success of the reforms in attaining that goal, using data on the British government's three official measures of child poverty.

The first measure, and the one considered the preferred measure in

Britain, is a relative one under which a child is poor if his or her family has income below 60 percent of median income for a family of their size and composition in that year. This is a tough measure to make progress on because, if median incomes rise, relative poverty also rises unless incomes at the bottom are rising too.

The second official measure is an absolute one under which a child is poor if his or her family income is below a fixed threshold (which is updated only for inflation over time). This measure is conceptually very similar to the official U.S. poverty line, which is also set as a fixed threshold, and so is particularly useful for a British-U.S. comparison.

The third official measure is material deprivation. This measure does not have a counterpart in the United States but is similar to newer measures being used in Europe. I provide a fuller description of it in chapter 6; here I will briefly note that this measure defines a child as materially deprived if his or her family has a relatively low income and if they do not have certain items—items that most families with children do have—because they cannot afford them.

As detailed in chapter 6, the British record on all three measures is impressive. When Blair declared war on child poverty in 1999, 3.4 million children—one in four—were in poverty, whether defined in relative terms or absolute terms. But how much poverty changed over the ensuing decade depends very much on whether a relative or absolute definition is used.

Using the government's preferred relative measure of child poverty, the child poverty rate fell from 26.7 percent in 1998–1999 to 22.5 percent in 2007–2008 (the most recent year for which data are available), a 16 percent reduction from the 1998–1999 base.<sup>31</sup> As discussed earlier, using a relative measure imposes a tough standard because, if median income is rising, more low-income children are counted as poor even if their incomes have not fallen in real terms.<sup>32</sup> This was in fact the case in Britain, where over the decade from 1996–1997 to 2006–2007, median income rose 20 percent.<sup>33</sup>

If we look at Britain's progress using its second official measure, an absolute poverty line—measured as the share of children below 60 percent of the median income as it was in 1998–1999, with the poverty line indexed only for inflation, as it is in the United States—we see a very substantial reduction in child poverty, from a rate of 26 percent of children in 1998–1999 to a rate of 13 percent in 2007–2008, a remarkable reduction of 50 percent from the 1998–1999 rate and a fall from 3.4 million poor children to 1.7 million.

How can we reconcile the two sets of results? Britain's dramatic progress in halving child poverty as measured in absolute terms confirms that incomes have been rising for families at the bottom. But the slower progress in reducing relative poverty suggests that incomes at the bottom did

not rise enough to counteract the fact that incomes have also been rising for middle- and higher-income families. This is not surprising since British policies during the period were focused on raising the incomes of those at the bottom, not on raising taxes or constraining labor market returns for middle- or higher-income workers. So, in a period when overall income inequality was continuing to rise, the improvement in poverty in relative terms was less than the improvement in absolute terms. It is also important to note, however, that with median incomes rising over this period, relative child poverty rates would have risen had the government not undertaken its antipoverty initiative.<sup>34</sup> Thus, the poverty-reducing impact of the reforms is larger than the government gets credit for if we simply compare relative poverty rates before and after the reforms.

Because the United States uses an absolute poverty line, it is straightforward to compare the progress of the United States and Britain in reducing child poverty in absolute terms.<sup>35</sup> The results (presented in figure 6.1) show that the reduction in child poverty in Britain has been larger and more sustained than in the United States. The child poverty rate fell by about one-third between 1992 and 2001 in the United States in response to welfare reforms and the strong economy, in contrast to the 50 percent reduction in Britain over a shorter time period. Data since 2001 show that absolute child poverty has risen in the United States, while holding roughly constant in Britain.

Results for material deprivation are also impressive. In the baseline year—1998–1999—20.8 percent of British children were materially deprived on the government’s official deprivation measure; this rate had fallen to 15.6 percent in 2006–2007 before rising to 17.1 percent in 2007–2008, a higher rate than the prior year but still an improvement over the rate a decade earlier. This improvement in living conditions for low-income families is confirmed by data showing reductions in financial distress over the same period, especially for lone-parent families.<sup>36</sup>

We lack a comparable material deprivation measure for the United States, but data on trends for food insecurity are consistent with what we saw earlier in trends for child poverty, with children’s living conditions improving in the mid- to late 1990s when the welfare reforms were first implemented and the economy was strong, but then plateauing or slightly deteriorating thereafter.<sup>37</sup> Data on other types of deprivation, available for selected years from the Survey of Income and Program Participation (SIPP), tell a similar story.<sup>38</sup>

Data on family expenditures also point to divergence across the two countries. My research, reported in chapter 6, suggests that in Britain low-income families affected by the reforms are spending more money on items related to children, while in the United States low-income single-mother families, who were the main target of the welfare reforms, are pri-

marily spending more money on items related to employment. This pattern of results makes sense, given the greater emphasis in the British reforms on increasing benefits for children versus the greater emphasis in the United States on boosting single parents' employment.

We can also compare the British record over the decade with the record of other European countries. This comparison provides an important counterfactual as to what might have happened in Britain had the reforms not occurred. Here too Britain compares favorably, both in terms of trends in poverty and inequality and in terms of trends in associated measures of deprivation and well-being. In particular, it is striking that while child poverty defined in relative terms was falling in Britain, it was rising or at best flat in most of Europe over the period.

### NEXT STEPS FOR BRITAIN

After a decade of reform, what is the current status of the British antipoverty initiative? And what are the next steps for Britain? As I discuss in chapter 7, the answers to these questions must take into account both the political and economic contexts. As I complete this book in late 2009, Britain is preparing for a national election that must take place by May 2010. So we do not know who will be carrying the reforms forward into the next decade, although at this point the Conservative Party is leading in the polls and looking likely to win. The economic context is also uncertain as the world continues to face the most severe economic crisis since the Great Depression. But certainly public finances will be strained for the foreseeable future, and the demands on the social safety net will continue to be high.

Nevertheless, both major parties in Britain say that they are committed to meeting the child poverty goal, and legislation to make this commitment law is now pending in Parliament. So now is an important time to take stock and think about next steps for the antipoverty strategy.

Fundamental to any effort to further reduce child poverty (whether under a Labour or Conservative government) is the need to understand which children are poor and which specific factors place children at elevated risk of poverty. In chapter 7, I present data on the demographics of poverty and discuss the policies that Britain should adopt to address the challenges suggested by those demographics.

The demographic data indicate that fully half of poor children in Britain live in families where at least one parent is already working in the labor market. Most of these poor children (42 percent) live in two-parent families in which at least one parent is working (often full-time), and a further 8 percent live in one-parent families in which the parent is working (typically part-time). The next largest share of poor children (30 per-

cent) live in one-parent families in which the parent is not working. The remainder (about one-fifth of poor children) live in two-parent families with no parent working.

The demographic data also point to some cross-cutting factors—such as parental disability and large family size—that increase the risk of poverty among children. Child poverty rates are also much higher for some ethnic groups—in particular, children in Pakistani and Bangladeshi families—than they are for white British families.

These demographics of poverty create five challenges that British policymakers must address if they are to succeed in making further reductions in child poverty. The first challenge is to do more to raise incomes in working families. I recommend several measures in chapter 7, including expanding child care and other in-work supports for the lowest-income workers; raising the value of the minimum wage; improving incentives to work additional hours; and expanding measures to improve the skills and qualifications of low-skilled workers, through preschool and school initiatives but also through training and education programs for adults, which thus far have received relatively little attention.

The second challenge is to move more lone parents into work. Here, in addition to the measures just discussed, which would also help this group, I recommend providing more child care and in-work supports for single parents even if they work fewer than the sixteen hours per week currently required for eligibility for such supports. Future reformers might also usefully revisit Britain's policies regarding child support from absent parents, which played little role in the reforms of the past decade but could usefully contribute to poverty reductions in the future.

The third challenge is to address poverty in workless two-parent families. This is a difficult group to move into employment, given their high rates of disability and other work-limiting conditions. Here I recommend a personal advising model, along the lines of what Paul Gregg recommended in his December 2008 review for the government. I also emphasize the importance of child care for this group. Policy for two-parent families has all too often assumed that one parent can work while the other cares for the children. But the high rates of parental disability and other limiting conditions among these families call that assumption into question.

A fourth challenge is to address the disproportionate risk of poverty among particular racial or ethnic groups. Children in Pakistani and Bangladeshi families have a poverty risk three times as high as the risk for white British children. Although some of the factors underlying this difference have been identified—mothers in these families have low employment rates, fathers' earnings are low, family size tends to be large, and the



household often includes nonworking extended family members—it is not clear what the policy response should be. So here I recommend more ethnographic research to better understand the situation and views of these families, as well as more local efforts like the antipoverty strategy under way in the Tower Hamlets section of London.

The fifth challenge is to respond to the underlying trends in income inequality, which are of concern both for their implications for relative poverty and for their implications for overall social cohesion and social inequality. In Britain, as in the United States, income inequality has been rising owing to a complex set of factors that are difficult for government policy to alter. But there are some steps that government can take to try to reduce the growth in income inequality or to moderate its effects. One is to continue to work to raise skills at the bottom of the income distribution so as to promote more social mobility and to narrow gaps between the bottom and the middle of the income distribution (which would in turn affect relative poverty). Another is to attempt to rein in income gains at the top of the income distribution through measures such as executive pay caps and tax increases for the wealthy. These latter measures would not affect relative poverty (as it is not affected by income changes at the top) but could be important in promoting more social cohesion and combating aspects of social inequality.

However, the underlying trends in inequality, and the links between those trends and relative poverty, also raise questions about how the government should measure poverty and what targets it should hold itself accountable for. In Britain it is generally assumed that poverty should be measured mainly in relative terms, as it is in Europe. Thus, although official British poverty statistics throughout the past decade have included a relative, absolute, and material deprivation measure, the relative measure is seen as the primary one. However, I would argue that if the government is going to continue to be committed to a goal of ending child poverty—and I certainly think it should—then all three measures should be viewed as important. A progressive government should aspire to reduce child poverty on all three measures, but they are distinct constructs and should also have distinct targets. This is precisely why the British government has used three official measures of poverty, and I think this is a sound decision and one that should be carried forward.

## **LESSONS FOR REFORMS IN THE UNITED STATES AND OTHER COUNTRIES**

After a decade of British reform, now is an opportune time to pause and consider the lessons it may present for antipoverty reforms in the United

States and other countries. The time is also right in that ambitious anti-poverty initiatives are now on the public agenda in the United States and several other countries in a way that they have not been for quite some time.

What lessons can the United States and other nations draw from the British experience over the past decade? Britain's success in reducing child poverty over the past decade provides at least one very clear lesson: where there is a serious public intention and effort to tackle child poverty, substantial reductions can in fact be achieved. If we think that there is nothing government can do to reduce child poverty—defined in American terms—the British example clearly provides strong evidence to the contrary. Child poverty is not an intractable problem, nor are high child poverty rates an inevitable feature of our advanced industrialized economies. If Britain can cut absolute child poverty in half in ten years, the United States and other wealthy nations can too.

A related lesson is that it is not necessary to work out all the details of an antipoverty policy in advance. Stating a goal and setting targets—as Blair and Brown did in 1999—can mobilize government and drive the development of specific strategies. Targets, of course, are not a cure-all, and they do carry risks. But if chosen well and prioritized, targets can be a very effective way of mobilizing government.

Mayor Michael Bloomberg's antipoverty initiative in New York City provides a striking illustration of what a British-style antipoverty campaign might look like in the U.S. context. New York City's Commission on Economic Opportunity, led by Geoffrey Canada (the founder of the Harlem Children's Zone) and Richard Parsons (then chairman of Time Warner), brought together individuals from various sectors of the city to brainstorm on how the city could meet the mayor's goal of making a substantial reduction in poverty.<sup>39</sup> The result has been a plethora of innovative antipoverty reforms that are now being implemented—some city-wide, others on a pilot basis.<sup>40</sup> Not all of these reforms will be successful, but in all likelihood some will be. And all of them are being evaluated, so there will be opportunities for other cities and jurisdictions to learn from New York City's efforts.

At the national level, the report of the Center for American Progress Task Force on Poverty provides another example of what a British-style antipoverty effort might look like in the U.S. context.<sup>41</sup> Led by Angela Blackwell (the director of Policy/Link) and Peter Edelman (professor of law at Georgetown University) and directed by Mark Greenberg (then a senior fellow at the Center for American Progress), this task force endorsed a goal of reducing poverty in the United States by half and identified a set of twelve specific policies to achieve that goal. Since the task force report was issued in 2007, its goal of cutting poverty in half has been

picked up and endorsed by several other groups. A national campaign called “Half in Ten” has been formed to advocate for this goal, and a resolution endorsing the goal has been introduced—and passed—in Congress.

Yet other examples come from Canada (where the province of Ontario in 2008 embarked on an ambitious British-style antipoverty initiative), Australia (where the Senate in 2004 released a report calling on the government to launch a comprehensive poverty reduction strategy), and New Zealand (where the children’s commissioner released a report in 2008 calling on the government to establish a child poverty strategy).

If the United States and other countries are to launch antipoverty campaigns, what other lessons can they draw from the British experience of the past decade? Chapter 8 highlights three types. The first set of lessons has to do with specific aspects of the reforms that Britain enacted, the second involves the process of reform, and the third concerns the politics.

With regard to specific aspects of the British reform package, there are several elements from which the United States could usefully glean some lessons. Contrasting the British approach to the approach the United States took under the 1990s welfare reform initiatives and subsequent reforms, and highlighting the elements that seem to have been most successful in the British antipoverty effort, I would recommend the following for the United States:

- Drawing on Britain’s success in introducing a national minimum wage—one that is set at a higher level than in the United States and updated annually—the United States should set an appropriate level for the minimum wage and ensure that it is updated annually.
- Drawing on Britain’s model of having in-work tax credits paid weekly or monthly, rather than at the end of the year, and with no charge to the family, the United States should experiment with programs to increase the take-up of the advanced payment option for the EITC and also to help families claim the credit without paying exorbitant fees to tax preparers.
- Drawing on the example of the British Child Tax Credit, which reaches all low- and middle-income families whether or not parents are working, the United States should make its federal child tax credit fully refundable so that it reaches all poor children.
- Drawing on the British efforts to shift resources to the youngest children and ensure that they receive equal or even higher benefits, the United States should explore ways to target additional benefits to families with the youngest children.

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- Drawing on the British expansions of paid maternity leave and establishment of paid paternity leave, the United States should enact paid parental leave to allow parents to stay home with newborns.
- Drawing on Britain’s successful implementation of the “right to request,” the United States should enact a right for working parents of young children to request part-time or flexible hours to help them better balance their work and family responsibilities.
- Drawing on Britain’s decisive move to universal preschool for three- and four-year-olds, the United States should make a commitment to provide universal preschool for three- and four-year-olds, but should draw on evidence from U.S. preschool and prekindergarten programs in deciding what type of provision to support.
- Drawing on Britain’s ambitious Sure Start program for children ages zero to three, the United States should commit to directing more investments to the youngest disadvantaged children, but should draw on evidence from U.S. early intervention programs in deciding which programs to support.
- Drawing on Britain’s success in improving its primary and secondary schools, the United States should consider whether some of the British education reforms—in particular, curriculum initiatives such as the literacy hour and numeracy hour and accountability initiatives such as the inspection system—might work in the U.S. context.

There are also some lessons having to do with the process of reform. First, to promote more evidence-based policymaking, it would be useful to emulate the British practice of writing or commissioning background papers to review the evidence before enacting major new social policies. Second, to address the tension between the need for large-scale initiatives and the role of smaller pilots, the British experience over the past decade suggests the merits of a dual-track strategy: mounting comprehensive initiatives in key priority areas where the mandate for change and evidence about what works is strong, while at the same time experimenting in areas where the support for change or the evidence base is weaker. Third, the British case makes clear that having an appropriate and up-to-date measure of poverty is critical. To this end, the United States should revise its official poverty measure, along the lines of what was recommended by the National Academy of Sciences in its report on measuring poverty in 1995, and should set up a mechanism to review and update that measure on an ongoing basis.

Finally, the British case offers a cautionary tale with regard to the politics of reform, suggesting that reformers must carefully nurture public

support, making the case for tackling child poverty, framing the issue in a way that elicits rather than undermines public support, publicizing the actions they are taking, and also making sure the public knows when reform efforts have been successful.

## **CONCLUDING THOUGHTS**

As I conclude this book in late 2009, the continuing worldwide financial crisis and recession raise serious questions about the ability of Britain, the United States, and other nations to fund expanded antipoverty programs. At the same time, however, the downturn in the economy makes the demand for such programs greater than ever. Moreover, as U.S. president Barack Obama has argued, investments in such programs not only provide a safety net for those out of work but also help to stimulate the economy and create jobs. Thus, tough economic times do not allow us to turn our backs on the war on poverty but make it all the more urgent for governments to spend public money wisely—and give us all the more reason to learn from Britain’s war on poverty.