

IMPROVING POLICIES FOR THE WORKING POOR: LESSONS FROM THE UK EXPERIENCE

Jane Waldfogel

Nine years ago, Tony Blair (who was then British prime minister) and Gordon Brown (who was then chancellor of the exchequer) made an ambitious pledge — to reduce child poverty by half in 10 years and to end child poverty in 20 years. In this article, Jane Waldfogel reports on what the UK has done to reduce child poverty and support the working poor.

Il y a neuf ans, Tony Blair (alors premier ministre de Grande-Bretagne) et Gordon Brown (chancelier de l'Échiquier) ont fait une promesse ambitieuse : réduire de moitié, en 10 ans, la pauvreté chez les enfants, et l'éliminer en 20 ans. Dans cet article, Jane Waldfogel fait le point sur ce que la Grande-Bretagne a fait, depuis, pour atteindre ces objectifs et aider les travailleurs à faible revenu.



In March 1999, two years into his first term, British Prime Minister Tony Blair stunned observers by committing his government to an attempt to end child poverty in the next generation, a commitment that Gordon Brown, then the chancellor of the exchequer, eagerly carried forward. Together, the two dramatically increased investments in children and families. By 2004, they had boosted public spending on children by close to 1 percent of gross domestic product (GDP).

Blair and Brown have used these resources strategically, making a host of investments designed to improve educational, social and economic outcomes for all children and to narrow the gap between rich and poor children. The reforms have had three main elements: a series of measures to promote work and to make work pay; a set of investments in children; and initiatives to improve conditions in low-income communities.

The first leg of the UK reforms — the set of initiatives to promote work and make work pay — is in some respects similar to what was undertaken in the US under welfare reform. However, there are also many differences in the approaches the two countries took to the work agenda. The US welfare reforms used a combination of “carrots” (such as earnings subsidies) and “sticks” (such as work requirements) to deter low-income families from applying for welfare and to encourage those who were on welfare to move off the program and into work. In the UK, in contrast, the welfare-to-work reforms have placed more emphasis on carrots, and very little on sticks, particularly when it comes to families with children.

Only now, nearly 10 years into the reforms, is the government considering requiring job search for families with children on welfare, and the proposed change would apply only to families with children age 12 or older, whereas the US work-oriented reforms affected even families with newborns. Instead, the UK government has relied on incentives such as a working families tax credit (similar to the US earned income tax credit) and expansions in child care subsidies (similar to the US child care subsidies). An important element of the UK's work-oriented reforms was the establishment of the country's first national minimum wage in April 1999. At its inception, the minimum wage was set at a higher level than in the US (in the UK, the value is about 45 percent of average male earnings) and has been raised regularly since then so that it continues to have a higher value. As of October 2007, the UK minimum wage was £5.52 per hour, about twice as high in dollar terms as the US minimum wage, which was \$5.85 per hour.

The second leg of the UK reforms is the expansion of financial supports for families with children, whether or not parents are working, with a particular emphasis on raising incomes for families with young children, who face the greatest risk of poverty and who are also likely to suffer the most lasting consequences. The UK has long had a universal child benefit program, and as part of the anti-poverty initiative its value was raised quite substantially, with the largest increases for families with a child under the age of six.

Means-tested welfare benefits were also raised, again with the largest raises for families with the youngest chil-



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During his decade as British prime minister, one of Tony Blair's remarkable reforms was in the area of assistance to the UK's working poor.

dren, and with particularly large increases for families with infants. Largely as a result of these benefit increases, the lowest-income families have seen larger percentage increases in income than families higher up in the income distribution.

Finally, the third leg of the reforms is a series of investments in children and families, aimed at improving child health and development and also at narrowing gaps between low-income children and their more advantaged peers. Acting on solid evidence of the health and developmental benefits of parental leave for the families of the youngest children, for example, the govern-

ment extended paid maternity leave to 9 months, with a commitment to extend it to 12 months, and also pledged to look into extending paid paternity leave from its current two-week period (as advocates noted that both Blair and Brown had taken paternity leave while in office). Although it is too soon to know the impact of these reforms, previous research documents that when mothers have longer periods of paid leave, infant mortality rates are lower. Research has also shown that children benefit when mothers are home longer on leave — they are more likely to be breast fed, taken to the doctor, immunized — and that fathers who are home longer on

leave are more involved with their children afterwards.

For older preschoolers, the UK has implemented free and universal part-time nursery school places, beginning with a universal program for four-year-olds and then extending the program to all three-year-olds. As a result, in just a few years, the UK has moved from having one of the lowest preschool enrolment rates among industrialized countries to now being part of the club of nations that offers free publicly funded preschool to all children in the year or two prior to school entry, helping to ensure that children start school on a more even footing and more ready to learn.

Working parents with a child under the age of six also benefit from the new right to request part-time or flexible hours. In the first year of the new policy 1 million UK parents made such requests, and the vast majority were granted by employers with apparently little or no disruption in operations at their workplaces. Although it is too soon to tell what the benefits have been for children, surveys consistently suggest that parents place a high value on having such rights.

In addition, subsidies for other forms of child care have greatly expanded, providing more support for low-income families who need more hours of care if parents are to work. And the UK has made a commitment to make all schools extended schools so that all children have a safe and productive place to go before and after school, and during school holidays. Again, the children benefit, from having safe, productive supervision when parents just can't be at home.

Is the UK program complete? Hardly. Its 10-year Child Care Strategy places the burden on each local community to provide adequate support to children in order to help all children achieve their potential and help close gaps between disadvantaged children and their more advantaged peers. This is an ambitious agenda and much work remains to be done, particularly with regard to raising program quality in both preschool care and after-school care.

In March 1999, the government pledged to reduce child poverty by 50 percent in 10 years and to eliminate child poverty altogether in 20 years. These are ambitious targets, and the fact that the UK mainly uses a *relative* poverty line makes accomplishing these goals even harder, since any time the incomes of the well-off rise, relative poverty rises. In 1999, when the anti-poverty targets were announced,

3.4 million children were in poverty. The most recent data, from 2006, show that seven years into the anti-poverty initiative, the government had managed to reduce poverty substantially — moving some 600,000 children out of poverty defined in relative terms before housing costs — but it will probably still fall short of its 10-year

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But of at least equal interest is how well the UK has done in reducing poverty in *absolute* terms. Against an absolute poverty line, similar to the one the US uses, the UK has reduced poverty by a stunning 50 percent since the start of its anti-poverty campaign — reducing the numbers in absolute poverty before housing costs from 3.4 million in 1999 to 1.6 million in 2006. This is a remarkable achievement, particularly when compared to the US or Canadian performance. While the numbers of US and Canadian children in poverty have fallen over the same period, those reductions are nowhere near as large as the reduction was in the UK.

So one clear conclusion from the UK is that aggressive anti-poverty reforms can make a substantial reduction in poverty, particularly if poverty is defined by a US-style absolute poverty line. One natural question that might arise is how low-income families are spending the additional money. I've looked at this using detailed expenditure data from the UK and the evidence is clear: low-income families are spending the additional money on items for their children — children's shoes, clothing, books and

toys; they are also closing the gap in ownership of cars and telephones; and, at the same time, they are spending *less* money on alcohol and tobacco. I was curious to see whether the same results would be found for the US, so I replicated the study using expenditure data on American families. Here, however, we found that low-

income families were spending more money on work-related items (like adult clothing and transportation to work), as well as on telephones and car ownership, also essential items for work. This result makes sense given that under the US reforms, the only way for family incomes to increase is for parents to enter work or to work more hours, whereas in the UK low-income families also benefited from increases in government support for families with children.

Britain's anti-poverty campaign is not just about reducing poverty for this generation. It is also about improving the life chances of the next generation. And this requires not just reducing poverty today, but also making investments in children that will lessen the likelihood that they and their children will be poor in the future. That's the rationale for the UK strategy of investments in children and it's one that both Canada and the US would be wise to emulate.

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