Child poverty affects many aspects of children’s lives and their future social mobility. Research identifies a range of detrimental outcomes for children which are associated with child poverty as well as the key barriers to moving out of poverty. Studies also suggest that current policy is unlikely to meet child poverty target.

**Key findings**

- The detrimental outcomes for children found to be associated with child poverty are extensive and range from mental illness to low educational attainment. A recent study reveals that by age five children from the poorest fifth of homes in the UK are already on average nearly a year behind when measured by their expected years of development.
- Poverty in and soon after childbirth is associated with a much higher risk of a low birth-weight, maternal depression in infancy and lower chances that the mother will try breastfeeding. All these are known to be associated with poor outcomes in the rest of childhood and in adulthood.
- Children growing up in poor families have lower educational attainment, have higher incidence of behavioural problems and risky behaviours and have the early signals of later life health problems (eg, obesity) than children growing up in richer families. Such gaps create a major contributing factor to patterns of social immobility, health inequalities and poverty, including child poverty in the next generation.
- The barriers to moving out of poverty include employment, educational failure, poor health and family stability. These barriers also have a secondary role because once they are overcome they prevent people from slipping into poverty.

- Static measures of poverty or material deprivation are increasingly perceived to be inadequate tools for analysis and policy debate. Longitudinal measures of poverty are thus vital to distinguish persistent, recurrent and occasional poverty in terms of the experience itself, the type of people affected, and the long shadow it casts on future achievements.
- The main barriers to people moving out of poverty appear to be their educational performance; their difficulty in getting into higher education; and their poor labour market attachment after completing compulsory education.
- Stable employment is another crucial determinant of mobility as it proves to be the main defence against poverty. For lone parents with young children, a barrier to moving out of poverty is often the lack of availability of good quality, affordable childcare.
- Self-employed families with children have higher living standards than employed families with children with similar incomes, and that, for all work types, families with the lowest incomes do not have the lowest living standards, on average.
- Public spending to deal with the effects of child poverty is some £12 billion a year, about 60 per cent of which is spent on personal social services, school education, and police and criminal justice.
- Changes in the labour earnings of the household head account for the largest share of exits from poverty as well as entries into poverty. This suggests that the current emphasis on worklessness and family instability as important barriers to escaping poverty and long term disadvantage is well-placed.
- Researchers suggest that the targets set in the Child Poverty Act are extremely challenging and that it might be more productive to set realistic targets with concrete plans for achieving them.
High costs of child poverty

Eradicating child poverty by income transfers is a good long-term investment for a society to make.

Child poverty costs the UK at least £2.5 billion a year; (equivalent to two per cent of GDP), including £17 billion that could accrue to the Exchequer if child poverty were eradicated, says researchers from the ESRC-funded Poverty and Social Exclusion (PSE) project.

Public spending to deal with the effects of child poverty is £12 billion a year; about 60 per cent of which is spent on personal social services, school education, and police and criminal justice. The annual cost of below-average employment rates and earnings levels among adults who grew up in poverty is approximately £13 billion, of which £5 billion is extra benefit payments and lower tax revenues. The remaining £8 billion is lost earnings to individuals.

“Given these research findings, the income transfers required to eradicate child poverty through the tax and benefit system are not unsustainable and will eventually more than pay for themselves,” says Professor David Gordon of PSE.

Wide range of child outcomes associated with poverty

It is clear that in the UK and other countries the most important policies which will make a rapid impact on children’s lives are those which increase the incomes of poor families, reduce their social and material deprivation and help poor children be included in the normal activities of the society in which they live.

Child poverty affects many aspects of children’s lives. An evidence review by Professor Jonathan Bradshaw and colleagues finds the following detrimental outcomes for children to be associated with child poverty: mortality, morbidity, fatal accidents, mental illness, suicide, child abuse (but not sexual abuse), teenage pregnancy, poor housing conditions, homelessness, low educational attainment and smoking (mainly after childhood).

Lowest incomes does not mean lowest living standards

Analysis suggests that some children in households with low income do not have commensurately low living standards.

A study carried out by the Institute for Fiscal Studies (IFS) on behalf of the Department for Work and Pensions (DWP) explored whether children from households with the lowest incomes have the lowest living standards.

The report confirms other findings that, without taking account of any other factors, children from households with the lowest incomes do not have the lowest average living standards. Hence, the approximate one per cent of children living in households with incomes below £50 a week have average living standards comparable to those with incomes of £250 to £500 a week.

The lowest average living standards are to be found amongst children living in households with equivalised incomes of £100 to £200 a week, which represents about 11 per cent of all children. Findings further show that self-employed families with children have higher living standards than employed families with children with similar incomes, and that, for all work types, families with the lowest incomes do not have the lowest living standards, on average.

Researchers conclude that the relatively high living standards enjoyed by those with the very lowest incomes means there is very little sense in monitoring trends in the number of children in such households, or in assuming that the characteristics of such children are informative about the children who have the lowest living standards.

Tax burdens the life chances of the poor

A key issue that structurally perpetuates both adult and child poverty is the huge tax burden faced by the poorest households.

The poorest ten per cent of people in the UK pay on average 48 per cent of their gross income in direct and indirect taxes, whereas the richest ten per cent of people pay 35 per cent of their gross income in taxes. Moreover, the tax rates paid by the poorest households have risen considerably over the past 30 years while tax paid by the richest households has fallen.

“Unfortunately, the poorest households not only pay excessively high and unfair rates or tax, they also pay more for goods and services due to inadequate market regulation,” says Professor Gordon of PSE.

“For example, there is no reason why the Government should allow utility companies to charge the poorest

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households more for electricity and gas than their richer peers,” he says. “The Government should regulate the utility market to introduce a rising block tariff which penalises high energy use and rewards low energy use. This would both provide a financial incentive for households to reduce CO2 emissions and reduce the energy poverty premium paid by poorer households.”

**Stark differences emerge for UK’s poorest children**

*Over a third of the poorest children were born to parents without a single grade A-C GCSE between them*

Striking differences between the children from low income households compared to middle income homes are highlighted by research on the Millennium Cohort study. By age five, children from the poorest fifth of homes in the UK are already on average nearly a year behind when measured by their expected years of development.

Findings further show that only 35 per cent of the poorest children were living with both biological parents by the age of five, compared with 88 per cent of the middle income group. Moreover, 47 per cent of the poorest children were born to mothers under the age of 25, and 19 per cent to teenage mothers.

The parental education gap is stark – only one in 12 of the poorest children lived with a degree-educated parent at nine months, compared with four in five of the richest children. More affluent family circumstances are clearly associated with better parenting behaviours. At age three, 78 per cent of the richest children were read to daily and 91 per cent had regular bedtimes, much higher than the corresponding numbers for the lowest income group where 45 per cent of children were read to daily and 70 per cent had regular bedtimes. However, this provides grounds for optimism that good parenting can be adopted and extended in even the most disadvantaged families.

Interestingly, the gap in development at age five between children from the highest earning households and middle income households is somewhat smaller than that between low and middle income households. Hence, it appears that money can only buy so much in terms of educational advantage for the most privileged children during the early years. The relatively smaller ‘privilege gap’ in early development can be interpreted in a positive light: it indicates that enough resources could be targeted at the most disadvantaged children so they do not lag behind their better-off peers.

Researchers identify 11 factors that are important contributors to income-related gaps in cognitive development. These factors are: two measures of material resources (lack of access to a car and the internet); six measures of parenting and the home environment (interviewer rating of sensitivity of mother-child interactions; taken to museum/gallery in last year; child read to daily; regular bedtimes; taken to library; at least once a month; taken to play/concert in last year); and three health-related measures (low birth weight, breastfeeding, and overall child health).

Researchers state that identifying effective parenting programmes is crucial, as is a role for programmes that address health-related inequalities – by reducing low birth weight, increasing breastfeeding and improving overall child health. A more novel implication of these results is that policies to address relative material deprivation – in particular, lack of access to a car and to the internet – are also potentially important in mitigating gaps in cognitive development.

**The relationship between income and child outcomes**

*Children in low-income households are disadvantaged across the full spectrum of outcomes compared with their better-off counterparts*

What is the association between family income and children’s cognitive ability (IQ and school performance), socio-emotional outcomes (self-esteem, locus of control and behavioural problems) and physical health (risk of obesity)? In a 2008 study, researchers used a new technique to compare the relative importance of the adverse family characteristics and home environments of low income children in accounting for different outcomes.

Findings show that poor children are disadvantaged at age seven and nine across the full spectrum of outcomes, the gradient being strongest for cognitive outcomes and weakest for physical health. However, different aspects of the socio-economic disadvantage that underlie parental poverty vary markedly in their association with different outcomes. Child care and school environments, for example, are negligible in importance compared with the role of the home environment provided by low income parents for children’s outcomes at ages up to eight.

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Interestingly, researchers also show that there are aspects of higher income lifestyles that are associated with relatively poorer developmental outcomes in children. For example, the learning-focused environments of children in more affluent families, along with their greater car ownership, appear to increase the risk of childhood obesity by discouraging physical activity. The use of long hours of childcare at age three and four also appears to foster greater behavioural problems in the children of the better-off.

Researchers conclude that many aspects of growing up in poverty are harmful to children’s development, that the relationship between family income and child-wellbeing operates through a number of different channels and that narrowly-targeted interventions are unlikely to have a significant impact on intergenerational mobility.

Child poverty link to social mobility

Children in poverty are more likely to grow up to be poor and this link has strengthened over the last decades of the 20th century. The link between social mobility and child poverty has been demonstrated by a range of recent studies. A 2006 study of the persistence of poverty across generations examined the connection between teenage poverty (based on the parental circumstances of the teenager when he or she is aged 16) and adult poverty in later life. Looking at survey participants from the two British cohorts (the National Child Development Study cohort in 1958 and the British Cohort Study cohort born in 1970) the research found that there is a strong link between teenage poverty and adult poverty in later life and that this relationship has strengthened over time: poor teenagers (compared to non-poor teenagers) in the 1970s are twice as likely to be poor as adults; poor teenagers (compared to non-poor teenagers) in the 1980s are almost four times more likely to be poor as adults.

In a later study, researchers compared the relationship between predicted income and parental income for individuals born in Britain in 1976 relative to those born in Britain in 1980. Findings show that there has been no change in income mobility over this period. Whilst this suggests that the decline in income mobility seen in the first study seems to have halted, it also indicates that the income mobility in Britain appears set to remain near the bottom of the intergenerational league table of mobility for the time being.

Forecasts poor for poverty and mobility

There is little prospect that inequality itself will fall significantly over the next few years. Researchers from the Institute for Social and Economic Research (ISER) and the Institute for Fiscal Studies (IFS) have, for a number of years, produced a forecast of relative and absolute poverty. In late 2010, researchers forecast relative and absolute poverty through to 2013, concluding that between 2010-11 and 2013-14 average incomes will stagnate and both absolute and relative poverty among children and working age adults will rise.

In October 2011, a follow-on IFS report concludes that relative child poverty in 2020 is forecast to be substantially adrift of the target of ten per cent, and will instead be higher than it has been at any point since the late 1990s. Moreover, the level of absolute poverty targeted in the Child Poverty Bill will be higher in 2020-21 than it was in 2010-11. The only policy mentioned in the government strategy that has a clearly-demonstrated impact on child poverty in the near future is Universal Credit, which will increase benefit entitlements by around £2 billion per year when fully implemented. However, IFS research concludes that the overall direct impact of the announced reforms to personal tax and benefit policy will be to increase relative poverty among children by 200,000 in both 2015/16 and 2020/21, and among working-age adults by 200,000 and 400,000 in 2015/16 and 2020/21 respectively. While the Universal Credit should reduce poverty substantially, the poverty-increasing effects of other changes to personal taxes and state benefits will more than cancel this out.

IFS research further shows that there is little prospect that inequality itself will fall significantly over the next few years. Any improvement in child poverty numbers is highly unlikely despite the government’s commitment to dramatically reduce them by 2020. To do so would require either an implausible increase in benefit spending or an ‘astonishing’ turnaround in the structure of the labour market.

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Focus on ‘problem families’ is misplaced

Poverty is not a disease and it cannot be caught. All the creditable evidence shows that it is not ‘transmitted’ to children by their parents’ genes or culture. The best way to tackle intergenerational disadvantage and low social mobility is to eradicate poverty amongst adults and children alive today.

The current policy focus on ‘tackling the causes of intergenerational cycles of poverty’ and ‘120,000 problem families’ raises concern among researchers from the PSE team.

“We are concerned that the philosophical position displayed in the social mobility and child poverty strategies seemingly revive a number of discredited theories from the 1960s and 1970s, particularly Cultural Deficit theory, Problem Families and theories of Transmitted Deprivation,” argues PSE’s Professor David Gordon.

“The idea of a group of feckless, feral poor people whose pathological culture and/or genes transmitted their poverty to their children – is unsupported by any substantial body of evidence,” Professor Gordon points out.

The idea of the ‘cycle of disadvantage’ was revived by the last Labour Government but did not lead to any notable policy successes, Professor Gordon asserts. Rather, he insists, “Children who grow up living in poverty are unsurprisingly more likely to suffer from poverty during their adult lives than their non-poor peers. There are also of course many families which have problems (sometimes multiple problems) who could benefit from additional help and services. However, any policy based on the idea that there are a group of Problem Families who ‘transmit’ their ‘poverty/deprivation’ to their children will inevitably fail, as this idea is a prejudice, unsupported by scientific evidence.”

Broader child poverty strategy is required

A child poverty strategy based on just three main elements is likely to be ineffective

The government’s child poverty strategy sets out a new approach that includes the following three main elements:

- A stronger focus on ensuring that families who are in work are supported to work themselves out of poverty; families that are unable to work are able to live with dignity and not entrenched in persistent poverty; and that those who can work but are not in work are provided with services that will address their particular needs and help them overcome barriers to work.

- A stronger focus on improving children’s future life chances, by intervening early to improve the development and attainment of disadvantaged children and young people throughout their progression to adulthood.

- A stronger focus on place and delivering services as close to the family as possible, by empowering local partners and ensuring that local diversity can be recognised and developing strong local accountability frameworks.

The ESRC-funded Poverty and Social Exclusion team argues that a much broader strategy is required such as that outlined in the child poverty eradication plan adopted in 2011 by the Welsh Government13. The child poverty strategy in the consultation document inadequately addresses the following seven key areas, which are included in the Welsh Government strategy and delivery plan.

These are:

1. Increasing the incomes of poor families with children.
2. Reducing social and material deprivation of poor children.
3. Improving housing condition of poor children.
4. Improving the health of poor children and reducing health inequalities amongst children.
5. Improving the educational attainment and reduce educational inequalities amongst both younger and older children.
6. Improving poor children’s participation in cultural, sporting and leisure activities and reducing inequalities in these areas amongst children.
7. Facilitating children and young people to participate more fully in their communities.

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12 Poverty and Social Exclusion in the UK; www.poverty.ac.uk

ESRC SOCIAL MOBILITY EVIDENCE BRIEFINGS

This is one in a series of seven briefings that summarise a selection of ESRC-funded research on the topic of social mobility. As well as poverty, the briefings cover education, health, parenting and skills.

An overview of the major ESRC investments covered in the briefings follows overleaf. For a full listing of all ESRC major research investments please see: www.esrc.ac.uk/about-esrc/what-we-do/our-research

All information in this briefing is verified to the best of the ESRC’s ability. However, we do not accept responsibility for any loss arising from reliance on it.

FURTHER INFORMATION

The Economic and Social Research Council is the UK’s largest organisation for funding research on economic and social issues. We support independent, high-quality research which has an impact on business, the public sector and the third sector.

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The ESRC Centre for Economic Performance (CEP) examines the determinants of economic performance at the level of the company, the nation and the global economy by focusing on the major links between globalisation, technology and institutions (above all the educational system and the labour market) and their impact on productivity, inequality, employment, stability and wellbeing – cep.lse.ac.uk

The ESRC Centre for Lifecourse Studies in Society and Health (ICLS) investigates processes throughout the life course that relate the development of personal and professional skills to health and wellbeing and to patterns of employment and social participation. This research is possible due to the unique longitudinal birth cohort studies that have been carried out in the UK and the availability of comparative national and international data – www.ucl.ac.uk/icls

The ESRC Centre for Longitudinal Studies (CLS) is an ESRC Resource Centre which houses three of Britain’s internationally-renowned birth cohort studies:

• 1958 National Child Development Study (NCDS)
• 1970 British Cohort Study (BCS70)
• Millennium Cohort Study (MCS)

The studies involve multiple surveys of large numbers of individuals from birth and throughout their lives. They have collected information on education and employment, family and parenting, physical and mental health, and social attitudes – www.cls.ioe.ac.uk

The ESRC Centre for Market and Public Organisation (CMPO) is a leading research centre combining expertise in economics, geography and law. The centre aims to study the intersection between the public and private sectors of the economy, and in particular to understand the right way to organise and deliver public services – www.bristol.ac.uk/cmpo

The Institute for Fiscal Studies (IFS) promotes effective economic and social policies by increasing understanding of their impact on individuals, families, businesses and the government’s finances. The IFS has hosted an ESRC research centre since 1991. The ESRC Centre for the Microeconomic Analysis of Public Policy (CPP) aims to carry out core analytical research that will allow informed microeconomic analysis of major public policy issues, from productivity growth to poverty reduction, and from promoting employment to ensuring sound public finances – www.ifs.org

The Institute for Social and Economic Research (ISER) is jointly core-funded by the ESRC and the University of Essex. ISER hosts the ESRC Research Centre on Micro-Social Change (MiSOC) and the ESRC UK Longitudinal Studies Centre (ULSC). ISER is also home to Understanding Society. The central focus of MiSOC’s work is the individual life course and the changing nature of society and its team of world-class researchers and associates come from a range of social science disciplines including economics, sociology, psychology, demography, geography and statistics. The ULSC goal is to ensure the collection of longitudinal data of the highest quality to meet UK social research needs and to promote its widest and most effective use – www.iser.essex.ac.uk

The ESRC Poverty and Social Exclusion (PSE) in the United Kingdom – the 2011 Survey project’s primary purpose is to advance state-of-the-art theory and practice of poverty and social exclusion measurement. To improve current measurement methodologies, the research will develop and repeat the 1999 Poverty and Social Exclusion Survey – www.poverty.ac.uk

Understanding Society is the largest household panel survey in the world. It collects information annually from 100,000 people across 40,000 UK households and provides valuable new evidence about the people of the UK, their lives, experiences, behaviours and beliefs. The study allows for deeper analysis of a wide range of sections of the population as they respond to regional, national and international change. Understanding Society will greatly enhance our insight into the pathways that influence people’s longer term occupational trajectories, their health and wellbeing, their financial circumstances and personal relationships – www.understandingsociety.org.uk