



Improving Life Chances

January 2016

For the past 11 years the Centre for Social Justice has explored and outlined the root causes of poverty in Britain. Our *Breakthrough Britain* research showed that there are five essential root causes of poverty: economic dependency, family breakdown, educational failure, addiction and serious personal debt. The Government has recently set out that it intends to pursue a 'life chances' strategy incorporating these issues. To this end it has drafted legislation in the Welfare Reform and Work Bill that would replace the Child Poverty Act 2010's binding targets on relative income poverty with a range of life chances measures.

On 25 January an amendment was approved by the House of Lords which would reintroduce relative income measures, but not binding targets, to the Bill. This short paper sets out some options for the Government in the light of this defeat and looks at how its life chances agenda, of which the Centre for Social Justice is strongly supportive, can be taken forward and given greater coherence.

Context

As the Centre for Social Justice has long argued, the measure of child poverty as set out in the Child Poverty Act 2010 is inadequate.¹ This legislation requires government to reduce income inequality for households with children according to a range of measures by 2020:²

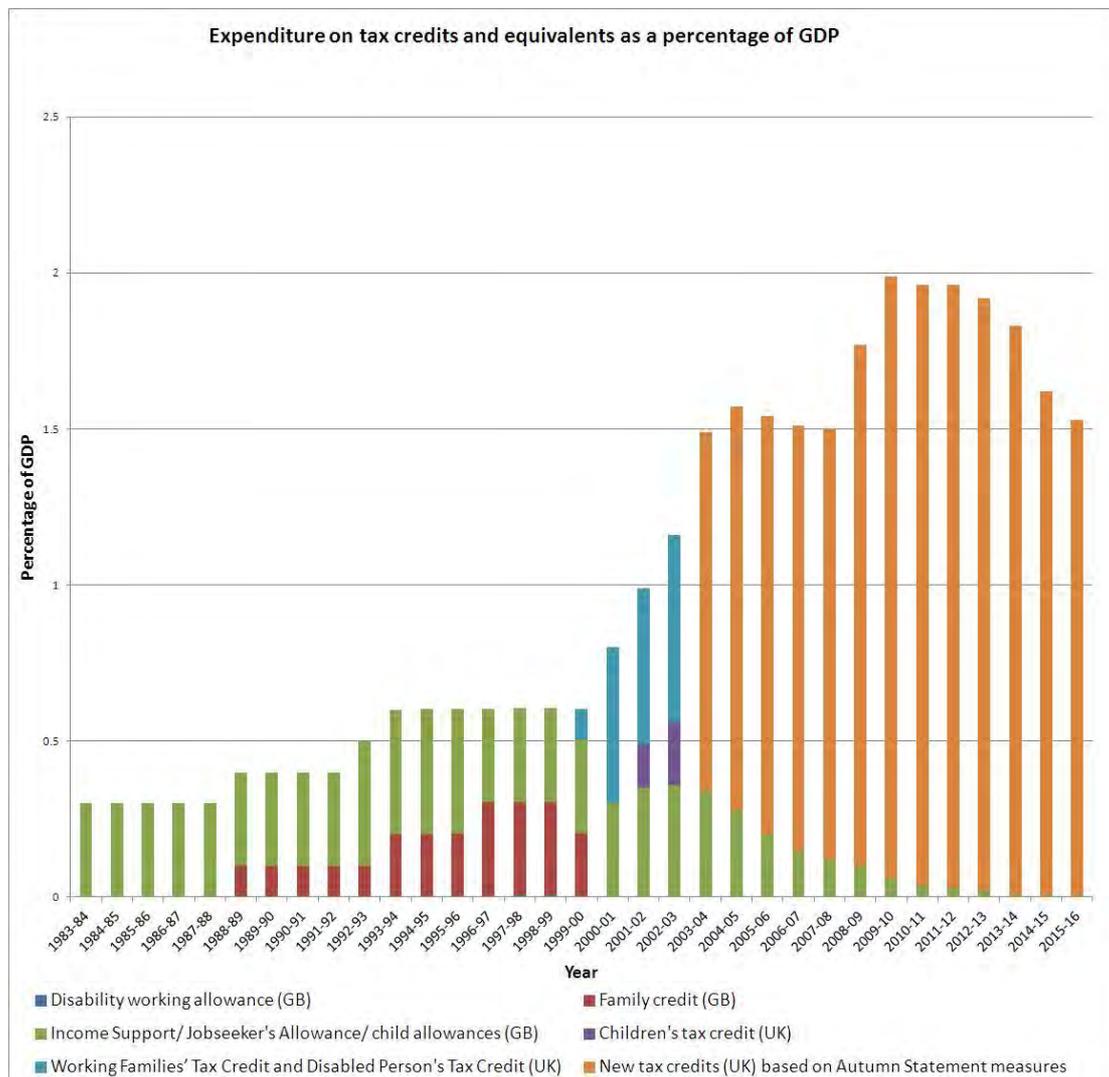
- **Relative low income:** a target of less than 10 per cent of children living in households with an income that is below 60 per cent of the median.
- **Combined low income and material deprivation:** a combined target of less than five per cent of children living in households with an income that is below 70 per cent of the median, and experiencing material deprivation – the inability to afford goods and activities that are typical in society.
- **Absolute low income:** a target of less than five per cent of children living in households with an income that is below 60 per cent of the median, with changes to the value of money since April 1st 2010 taken into account.
- **Persistent poverty:** a target of less than seven per cent of children living in households with an income that is below 60 per cent of the median, for at least three out of a four-year period.

¹ E.g. Centre for Social Justice, *Rethinking Child Poverty*, London: Centre for Social Justice, 2012

² Child Poverty Act 2010

These measures fail to acknowledge that poverty is about much more than income inequality. To construct a measure of poverty that is both accurate and useful, it is essential that the main drivers of poverty (family breakdown, economic dependency, educational failure, addiction and serious personal debt) are central to its calculation.

As our previous work has shown, this legislation which obliges government to tackle income inequality with targets set in law, has resulted in short-term, narrow, expensive and ineffective policies.³ The 2010 measures encouraged government to focus on redistributive policies that nudged households over the arbitrary poverty line of 60 per cent of the median equivalised income rather than on interventions that tackle the root causes of poverty. This led to a huge increase in spending on tax credits with large increases in expenditure in advance of the 2005 and 2010 General Elections:



Source: HMT, OBR

³ Centre for Social Justice, *Reforming the Child Poverty Act*, London: Centre for Social Justice, 2015

Reform of the Child Poverty Act

Following the 2015 General Election, the Government announced that it would overhaul the Child Poverty Act and replace it with a series of 'life chance' measures, saying:⁴

New legislation to replace the Child Poverty Act 2010 will use:

- *The proportion of children living in workless household as well as long-term workless households.*
- *The educational attainment of all pupils and the most disadvantaged pupils at age 16.*

The government will also develop a range of other measures and indicators of root causes of poverty, including family breakdown, debt and addiction, setting these out in a children's life chances strategy.

Subsequently the Government has published draft legislation in the Welfare Reform and Work Bill that will repeal the main sections of the Child Poverty Act and replace them with reporting obligations on these stated life chance measures:⁵

Children: reporting obligations

A1A Workless households and educational attainment

- (1) The Secretary of State must publish and lay before Parliament a report containing data on—
- (a) children living in workless households in England;
 - (b) children living in long-term workless households in England;
 - (c) the educational attainment of children in England at the end of Key Stage 4;
 - (d) the educational attainment of disadvantaged children in England at the end of Key Stage 4

On 26 January 2016 the Bishop of Durham tabled the following amendment at Report Stage in the Lords which would require the Government to report, in addition, on a range of relative-income measures. These are exactly the same in nature as those in the Child Poverty Act 2010 which incentivised governments to engage in simplistic redistributive policies that shifted people over an arbitrary poverty line:

Child poverty: reporting obligation

- (1) The Secretary of State must lay before each House of Parliament an annual report on child poverty.
- (2) The report must include information on the percentage of children living in households where—
- (a) equivalised net income for the financial year is less than 60% of median equivalised net household income for the most recent financial year;
 - (b) equivalised net income for the financial year is less than 70% of median equivalised net household income for the most recent financial year, and which experience material deprivation;
 - (c) equivalised net income for the financial year is less than 60% of median equivalised net household income for the financial year beginning 1 April 2010, adjusted in a prescribed manner to take account of changes in the value of money since that year; and
 - (d) equivalised net income has been less than 60% of median equivalised

⁴ <https://www.gov.uk/government/news/government-to-strengthen-child-poverty-measure>

⁵ http://www.publications.parliament.uk/pa/bills/cbill/2015-2016/0051/cbill_2015-20160051_en_2.htm#pb2-l1g6

net household income in at least 3 of the survey years.

(3) For the purposes of subsection (2)(d), the survey years are the calendar years that ends in the financial year addressed in subsection (2)(a) and (b), and the 3 preceding calendar years.”

This was passed by a substantial majority of peers (290 for, 198 against) and so places considerable pressure on the Government to make concessions.⁶ In the sections that follow, we set out how the Government could use this opportunity to reinforce their life chances agenda and include a measure of income poverty that will reflect the financial nature of poverty whilst not behaving perversely.

Developing a combined Life Chances and Poverty Agenda

The CSJ strongly supports the direction of the Government’s reforms. We are particularly pleased that the five pathways to poverty have all been acknowledged as being integral to the life chances agenda and that reporting on two of them will be placed in statute. However, the strategy would be strengthened and deepened if each of the five pathways – worklessness, family breakdown, educational failure, addiction and serious personal debt – were recognised in law and that a range of measures was used by the life chances strategy to track progress in each area.

To do this we recommend that the Government extend and deepen the measures used along the following lines:

Current Life Chance Risk (i.e. a child growing up in a family with the following characteristics):

- One parent only able to work (including lone-parent households and those who cannot work due to sickness);
- Addiction or mental health problems;
- No qualifications;
- Unemployed;
- Unmanageable personal debt, classified as behind on rent, or needing Alternative Payment Arrangements in Universal Credit.

Risk to future Life Chances (i.e. a child now who is in danger of repeating the intergenerational cycle of poverty):

This would include, as already planned, a measurement of GCSE attainment at 16, but would be accompanied by a report on:

- Early years school readiness;
- 7-year-old tests;
- 11-year-old tests;
- GCSE as above;
- A level tests and post-school destination;
- Children in Need;
- Children in Care.

⁶ http://www.publications.parliament.uk/pa/ld201516/ldhansrd/text/160125-0001.htm#st_98

These are strong indicators of a child's life chances. There is, however, also a need to recognise the significance of financial poverty if the Life Chances measures are to be used to measure poverty.

An income measure could act as a gateway to other measures ensuring that government policy was directed towards helping those most in need of support. That is to say that families who were both on a low income for a year *and* had one, two or three Life Chances Risks (depending on the Government's preference) would be deemed to be 'in poverty', and a household that was on a low income for three years and had one, two, three or more would be in 'persistent poverty'. This gateway would mean that those who are able to turn their own lives around would be able to do so, ensuring that the maximum support went to those who were stuck and that Government action was focused on those most in need. This is particularly relevant because around 50% of children who are poor in one year are not poor a year later.⁷

There are many different ways in which income could be reflected and much work needs to be done on this issue, but the Government could, for example, consider using one of the following as a gateway:

- **Absolute low income gateway:** this would mean that any household with an income below 60 per cent of the median, with changes to the value of money since April 1st 2016 taken into account, would be considered.⁸ This would mean that the poverty line would not be liable to shift if, for example, there was a recession or the state pension increased though it would still be dependent on the median income at a point in time;⁹
- **Benefits gateway:** where a parent was on an out-of-work benefit such as JSA or ESA work-related activity group or the Universal Credit equivalent.¹⁰

In the Annex below we set out an amendment to the Welfare Reform and Work Bill which would establish these new metrics in legislation, though the Government would need to back-cast and forecast to ensure that the variables are properly stress tested.

Policies to Progress Life Chances

Our recommended policy programme for ensuring progress against the life chances measures are as follows:

Family Breakdown

Family stability should not be the preserve of the middle class. By the age of five, 48 per cent of children in low-income households are not living with both parents.¹¹ This can

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444605/statistical-report.pdf

⁸ If this measure was used the current criteria would need to be revised so that people with assets were not included, the current means of calculating equivalisation would be changed so as not to give greater weight to children in wealthier families, and the definition of a household would be brought into line with the definition of a household in Universal Credit.

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/437246/households-below-average-income-1994-95-to-2013-14.pdf

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444605/statistical-report.pdf

make life considerably harder. To reverse family breakdown the Government should convert Children's Centres to Family Hubs which would offer tried and tested relationship support interventions. These should be precisely targeted at the poorest communities with the highest levels of family breakdown.

The Government spends only 1.6p for every £100 of social harm caused by family breakdown.¹² The CSJ has consistently called on the Government to significantly increase its investment in tackling this problem – for this reason we welcome the Prime Minister's recent announcement that he would invest an additional £35 million over this Parliament taking the annual spend to approximately £17.5 million.¹³ This additional spend is extremely welcome – there is now a need for the Government to build the evidence base to show which programmes are effective and so allow future investment to be appropriately targeted so as to help reduce family breakdown in the poorest areas.

The Government should also continue to eradicate the couple penalty within the welfare system. There is currently a disincentive in the welfare system for couples to build long-term stable families. Whilst the Government's Universal Credit reforms have already gone a long way to eliminating the couple penalty, some working couples can still receive more living apart than living together. This is particularly concerning where children are involved, given the importance of long-term family stability for the wellbeing and life chances of children.

Worklessness

As the British jobs miracle increases employment to record levels it is becoming increasingly clear that there are a small group of people who are still struggling to enter work and a larger number who are struggling to progress in it.

Government needs to have the ambition to support the unemployed into work, those in part-time work into full-time work, and those on low pay into better pay. By employing personal work coaches to help those furthest from the workplace find work, and by sticking to its commitment to halve the disability employment gap, government can help more people into employment and progress in life.

Educational Failure

To drive up educational standards for the most disadvantaged, the Government can build on its successful academies programme and incentivise the best providers into the worst performing areas. Our work has shown that this can be done by offering the most successful academy chains groups of failing schools, so as to reduce their overheads, and assisting them with some of their initial set up costs.¹⁴

Similarly, too many children start school behind their peers. 50 per cent of children in some areas of social disadvantage start school with poor language skills¹⁵ and there is a

¹¹ <https://www.gov.uk/government/news/250000-more-children-living-with-both-birth-parents>

¹² http://www.marriagefoundation.org.uk/Shared/Uploads/Products/77955_MF%20pre-budget%20special.pdf

¹³ <https://www.gov.uk/government/speeches/prime-ministers-speech-on-life-chances>

¹⁴ <http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/Closing-the-Divide.pdf>

¹⁵ Ainscow et al, *An Evaluation of The Communication Trust's 'Talk of the Town' Project*, Manchester: Centre for Equity in Education, 2012

19-month gap at the start of school between the most and least advantaged children.¹⁶ Outstanding primary academies in the poorest areas should be incentivised to set up early years provision and the Government should help the best academy providers into the worst performing areas.

Addiction

At present effective drug and alcohol treatment is largely the preserve of the wealthy who can afford places at residential rehabilitation centres. There should be an ambition to extend abstinence-based residential treatment to all people suffering from addiction so as to help them recover and rebuild their lives. Germany spends €9,000 a year per addict on rehabilitation, and Sweden €6,000, three times and double what the UK spends respectively, with the result that these two other countries have considerably fewer problem drug users.¹⁷ This year the Government has announced that they will invest £30 million into a new social investment outcomes fund to encourage the development of new treatment options for alcoholism and drug addiction and are hopeful that this could unlock £120 million of funding from local commissioners and up to £60 million of social investment.¹⁸ This is a substantial step forward and would potentially fund up to 29,000 12-week residential courses.¹⁹ However, with over 300,000 people in England addicted to opiates and/or crack, and 1.6 million people dependent on alcohol, there is obviously a need to go further.²⁰ The CSJ has consequently proposed funding a new generation of care through a Treatment Tax of 1p on every unit of alcohol sold off licence.²¹

Because entrenched alcohol or drug addiction can disrupt lives we have called for the welfare system to establish whether people need treatment for an addiction and then help them to accept an offer of treatment. In practice, this might mean that once a claimant has been identified as having an addiction, they would then be offered abstinence-based treatment. If they accepted this, they would be placed in a suitable benefit category and have their conditionality suspended (e.g. their job search requirements would be halted). If they declined treatment their conditionality would remain in place and they would receive less in benefits.

Those with an entrenched problem who refused treatment should be given their benefits through welfare cash cards – as has been done in Australia. These cards limit the expenditure of benefits to certain basic essentials, thereby protecting the individual and their families.

¹⁶ Department for Education, Early Years Pupil Premium and funding for two-year-olds, London: Department for Education, 2014, p3

¹⁷ Centre for Social Justice, *Ambitious for Recovery*, London, Centre for Social Justice: 2014, [http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJJ2073 Addiction 15.08.14 2.pdf](http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJJ2073%20Addiction%2015.08.14%202.pdf)

¹⁸ <https://www.gov.uk/government/speeches/prime-ministers-speech-on-life-chances>

¹⁹ See calculations in CSJ, *Ambitious for Addiction*, [http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJJ2073 Addiction 15.08.14 2.pdf](http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJJ2073%20Addiction%2015.08.14%202.pdf)

²⁰ Public Health England, *Alcohol Treatment in England 2013-14*, London: Public Health England: 2014

²¹ CSJ, *Ambitious for Recovery*, [http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJJ2073 Addiction 15.08.14 2.pdf](http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJJ2073%20Addiction%2015.08.14%202.pdf)

Serious Personal Debt

Because serious personal debt can trap people in poverty, claimants make a claim to Universal Credit should be asked about historic unmanageable personal debt and, when necessary, offered practical financial literacy advice or referred to a money adviser.

By fostering a new generation of socially responsible Alternative Financial Institutions which offer financial products specifically tailored to the needs of low-income families, government could help people avoid high-interest payday loans.²² Similarly, it would be possible to create a back banking system in Universal Credit so that recipients could borrow against future benefits.

Conclusion: improving life chances, fighting poverty

The Government's 'life chances' agenda, with the modifications here suggested, has enormous potential to focus future government policy on tackling the root causes of poverty and would provide the metrics to measure the effectiveness of the Government's all-out assault on poverty.

This new approach also creates an opportunity to take stock of the programmes government already has in place to fight disadvantage and to refocus them on tackling the root causes of poverty. Of these, the main initiatives are:

- Universal Credit and the Work Programme
- The Troubled Families Programme
- The Pupil Premium

At present each of these services follows slightly different criteria. As the Government firms up its life chances and poverty agenda, it would make sense to use these criteria as the underlying rationale for each of these programmes.

Universal Credit will provide a simplified benefit system that will ensure work always pays – encouraging employment and progression in employment. Similarly, the Work Programme provides structured back-to-work support for the long-term unemployed and for those who have been identified as having particular needs. It would make sense for Universal Credit to be supplemented by a programme of 'Universal Support' to help individuals overcome problems that are holding them back. By taking advantage of the moment when people enter the welfare system to assess their needs according to the main life chances measures, 'Universal Support' could then connect people to the services they need to overcome addiction, debt, family instability or poor skills. This would help to alleviate the most acute vulnerabilities and to undermine entrenched worklessness. Back-to-work programmes would then be used to help people enter part-time employment, then help them into full-time work, and ultimately, to up-skill and progress them in work, assisting people to earn more than the full-time living wage.

The Troubled Families Programme presently offers support to those families who meet at least three of the four following criteria:²³

- Are involved in youth crime or anti-social behaviour;
- Have children who are regularly truanting or not in school;
- Have an adult on out of work benefits;

²² <http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJ---Future-Finance.pdf>

²³

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/336430/Understanding_Troubled_Families_web_format.pdf#page=7

- Cause high costs to the taxpayer.

In the next phase of the programme's development it would be logical to incorporate the 'life chances' measures so as to use the skills of Troubled Families key workers to reduce family breakdown, improve employment, help with education, or to refer to addiction or debt services. Promisingly, the Prime Minister has recently outlined that Troubled Families key workers will be looking at parenting and child development – this creates an opportunity for the role to be expanded further and for a new set of 'life chances' success criteria to be included.²⁴

Similarly, the pupil premium is currently allocated to schools for each pupil on their roll who is eligible for free school meals (i.e. whose parents have an income of less than £16,190). Whilst there is a virtue in having such a straightforward means of allocation it overlooks the fact that many issues that cause difficulty at home and which may affect children's life chances, are not financial. Recalibrating the pupil premium around the 'life chances' criteria would again ensure that funding was made available for poorer pupils based on whether they were experiencing family breakdown, had parents who were out of work, poorly educated, or suffering from addiction.

This rationalisation of government programmes so that they all work to tackle the root causes of poverty has the potential to amplify their impact, and so improve employment, family stability and education, and reduce addiction and dependency. By doing this, whilst seeking to help more families earn a full-time living wage, government would ensure it is focussed on tackling both the root causes of poverty and poverty itself.

²⁴ <https://www.gov.uk/government/speeches/prime-ministers-speech-on-life-chances>

Annex

Proposed amendment to the Welfare Reform and Work Bill

The following amendment would introduce the measures above and, in its current form, uses 'absolute poverty' as the gateway measure. However, this could be adapted to a different, preferred income measure if need be.

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|-----------------|
| Clause 4 |
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Page 4, line 29, leave out from beginning to end of line 16 on page 5 and insert —

“Life chances: reporting obligations

A1AB Current and future life chances

(1) The Secretary of State shall publish and lay before Parliament a report containing data on children growing up in a household in which —

- (a) only one parent is capable of work, including in lone parent households and households where one or more parent cannot work due to sickness;
- (b) one or more parents suffer from addiction or mental health problems;
- (c) one or more parents have no qualifications;
- (d) one or more parents are unemployed;
- (e) one or more parents are in unmanageable personal debt, defined as being behind on housing rent or requiring an alternative payment arrangement.

(2) For the purposes of this Act, the indicators in subsection (1)(a) to (e) shall be known as “life chances indicators”.

The Secretary of State shall publish and lay before Parliament a report containing data on the—

- (a) early years school readiness;
- (b) educational attainment at the end of Key Stage 1;
- (c) educational attainment at the end of Key Stage 2;
- (d) educational attainment at GCSE level; and
- (e) educational attainment at A-level.

of children in the United Kingdom.

(3) A child shall be considered to be in poverty if the child’s parents meet at least one of the life chances indicators in subsection (1)(a) to (e) and the child’s household has been in absolute poverty for at least one year.

(4) A child shall be considered to be in persistent poverty if the child’s parents meet at least three of the life chances indicators in subsection (1)(a) to (e) and the child’s household has been in absolute poverty for at least three years.

(5) For the purposes of this section, a household is considered to be in absolute poverty in relation to a financial year, if its equivalised net income for the financial year is less than 60% of the adjusted base amount.

(6) In this section—

“the adjusted base amount”, in relation to a financial year, is the base amount adjusted in a prescribed manner to take account of changes in the value of money since the base year.

“the base amount” means the amount of median equivalised net household income for the base year;

“the base year” means the financial year beginning with 1 April 2016.”