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Historically, the United States and the United Kingdom have stood out among rich nations as having particularly high child poverty rates. But a concerted U.K. government effort over the past decade has reduced the British child poverty rate dramatically, even in the face of the recession. Jane Waldfogel's book Britain's War on Poverty *describes the overall effort made in this regard (see note 2 below). Meanwhile, in the United States, a weaker safety net, coupled with the Great Recession, have caused the U.S. child poverty rate to climb. This issue of* Fast Focus *updates findings presented by Timothy Smeeding and Jane Waldfogel in a* Journal of Policy Analysis and Management *article (see note 1 below), revealing encouraging downward trends in child poverty in the United Kingdom and disturbing increases in child poverty rates in the United States.* *The authors of this brief gratefully acknowledge the insightful comments made on an earlier draft by Donald Oellerich.*

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Fighting child poverty in the United States and United Kingdom: An update

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Introduction

Last year we published an article in the *Journal of Policy Analysis and Management (JPAM)*,[1] which showed how child poverty trends in the United States and United Kingdom had diverged over the past decade, during which the United Kingdom pursued an ambitious war on child poverty, as described in Waldfogel's recent book on the topic.[2] Now there are new data for the two countries, which reveal that the differences are even starker than before. This *Fast Focus* brief is designed to update our findings in the context of the ongoing recession as well as the change in government in the United Kingdom and subsequent ongoing changes in public policy toward poor children.

The background

The United States and United Kingdom do not fare well in international child poverty comparisons even when a U.S.-style absolute poverty line is used. In an eleven-country comparison using the Luxembourg Income Study (LIS) data for the United Kingdom (1999) and the United States (2000), both Smeeding, and Gornick and Jäntti, found that both countries were among the three worst-performing rich nations in terms of child poverty.[3]

But as we earlier wrote, the situation of low-income children in these two countries diverged drastically over the past decade, as the United Kingdom implemented an ambitious, national-government-led antipoverty initiative, while the United States, in contrast, focused on cutting welfare rolls and welfare dependence by moving welfare recipients from

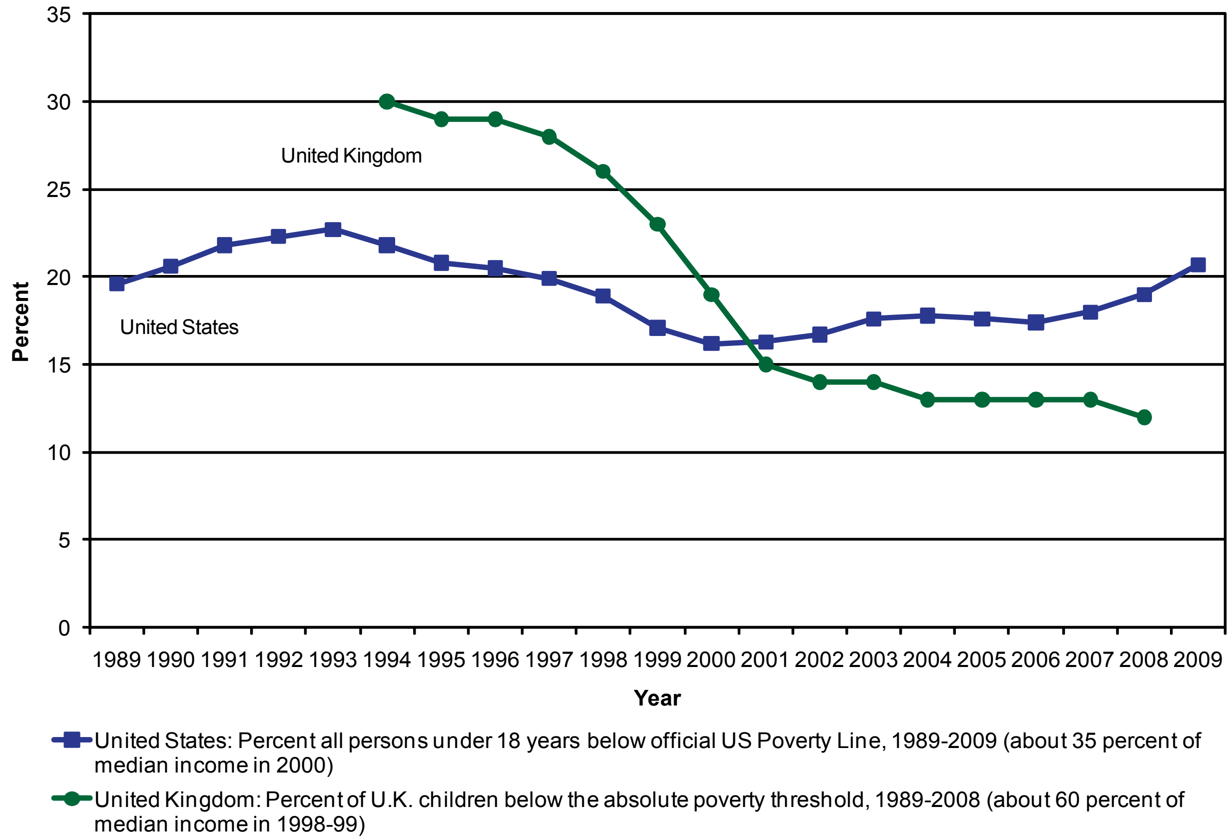

Figure 1. Absolute Poverty in the United States and United Kingdom 1989–2009.

Source: Annual poverty reports from the U.S. Census Bureau (2010) and U.K. Department for Work and Pensions (2010). See notes 7 and 8 for full citations.

welfare to work. These different approaches, we now know, also led to different outcomes during the recession.[4] Although the measures undertaken as part of the 2009 American Recovery and Reinvestment Act (ARRA) have helped keep a bad child poverty situation from becoming worse, the U.S. child poverty rate still rose from 19.0 to 20.7 percent between 2008 and 2009 and is expected to rise further when the 2010 data become available.[5] In contrast, U.K. child poverty *fell* during the most recent year, in spite of the recession.

The results: Child poverty trends in both nations

Figure 1 compares child poverty trends in the United Kingdom and in the United States using each country's official absolute poverty line: the U.S. poverty line, worth about 30 percent of U.S. median income in 1998 or 1999; and the U.K. absolute poverty line, set at 60 percent of U.K. median income in 1998/99.[6] Both estimates use a "fixed" poverty line, adjusted only for price changes across years. The U.S. poverty line is the official one used by the U.S. government and is annually adjusted for changes in the consumer price index only.[7] The U.K. poverty line, the official measure of absolute poverty used by the U.K. government, is anchored at its 1998/99 value of 60 percent of median income in that year and adjusted for prices using their consumer price index.[8] The United Kingdom also uses a measure of relative poverty, and a measure of material hardship, but the absolute measure is most comparable to the U.S. measure.[9]

Figure 1 shows that child poverty in both nations began to fall from the mid- to late 1990s, owing mainly to strong wage growth and tight labor markets in both countries, as well as the impact of welfare reforms in the United States in the 1990s. However, the trends diverge after 1999. In March of that year, British Prime Minister Tony Blair announced his campaign against child poverty; he made a pledge to end child poverty in a generation and promised to halve it in 10 years' time. He and Chancellor Gordon Brown introduced a set of antipoverty policies, designed to achieve specific poverty reduction targets, and committed real resources to them.[10] By 2000/01, the absolute child poverty rate in the United Kingdom (around 15 to 16 percent) was about the same as in the United States measured against this similar "real" resource level. But as we entered the 21st century, and when both economies became less vigorous, the trends diverged. Child poverty in the United States stopped declining and even began to increase again, rising from 18.0 percent in 2007 to 19.0 percent in 2008 and then to 20.7 percent in 2009. The United Kingdom, in contrast, continued to have policy-driven reductions in child poverty. The absolute poverty rate for U.K. children had fallen to 13 percent by

2007/08 and then fell to 12 percent in 2008/09 (the latest period for which U.K. data are available).

U.K. policy experience and outcomes

How did the United Kingdom manage to hold the line on child poverty, and even reduce it, in the face of the recession? Part of the reason lies in the country's more extensive safety net for those out of work. In addition, unlike in the United States, benefits in the United Kingdom are indexed so that they rise automatically in line with cost of living increases. Hence, these increases provided a buffer for low-income families as the economy turned down.

Because the U.K. system provided more protection to poor children during the recession, the U.S. and U.K. trends have been growing apart. Indeed, the stunning differences in Figure 1 suggest that while child poverty rates in the two countries differed by about 3 to 5 percentage points earlier in this decade, they are now more than 7 percentage points different. Trends in the United Kingdom are still downward and in the United States upward, with U.S. child poverty expected to continue to rise in coming years.[11]

As we described in our *JPAM* article, the reason for the reductions in U.K. child poverty is that the United Kingdom had leaders who set a national goal of improving living standards and eradicating child poverty, and matched their political rhetoric with some measure of real and continuing fiscal effort, which had an important and substantial impact. Prime Minister Tony Blair and Chancellor Gordon Brown spent an *extra* 0.9 percent of GDP for low-income families with children between 1999 and 2003.[12] Nine-tenths of one percent of U.S. GDP would have been about $150 billion in 2008. This is about half again as large as what we now spend on the Earned Income Tax Credit (EITC), Supplemental Nutrition Assistance Program (SNAP), child care, and Temporary Assistance for Needy Families (TANF) combined, even after the ARRA stimulus spending increases. Clearly, policy investments of the U.K. magnitude can make a difference.

The U.K. antipoverty initiative was more ambitious than the U.S. welfare reforms not just in the scale of its investments, but also in the scope of policy efforts included.[13] Like the U.S. welfare reforms, the U.K. reforms emphasized measures to promote employment and make work pay. But they also included measures to increase benefits to low-income families, whether or not parents worked, as well as a host of investments in preschool and school-aged children.

Together, these antipoverty initiatives—the measures to promote work and make work pay, the policies to raise family incomes, and the investments in children—reflected a very sizable increase in spending on children, with the additional benefits disproportionately going to the lowest income children (and, often to the youngest in that group). By April 2010, the average family with children was £2,000 (about $3,200) per year better off than they would have been in the absence of the reforms, and families in the bottom fifth of the income distribution were £4,500 (about $7,200) per year better off.[14]

As discussed earlier, these income gains resulted in very meaningful reductions in child poverty, when measured on a U.S.-style absolute poverty line. They have also been reflected in reductions in relative poverty and material hardship, increased expenditures on items for children, as well as improvements in child well-being, suggesting lower adult poverty in years to come.[15]

The recession and child poverty

The current worldwide financial crisis and economic downturn has posed challenges for both the U.S. and U.K. antipoverty initiatives. In the United States, the ARRA provided extensive supports that helped prevent child poverty from escalating even further, and that also protected services for poor children through funding for programs such as Head Start and extended unemployment insurance.[16] However, the ARRA is set to expire in 2011 and with it a great deal of support for poor families with children. Should this expiration take place, U.S. child poverty next year will be even higher than predicted.

In the United Kingdom, a new coalition government led by the Conservatives and Liberal Democrats came into office in May 2010. The new government is strongly committed to cutting the government deficit and has announced drastic cuts in public spending. Remarkably, however, the new government also has expressed its commitment to continuing to tackle child poverty.

Just prior to the election, all three parties in Parliament supported the Child Poverty Bill, which made the goal of ending child poverty law, and since coming into office, the new government has reiterated that commitment. It is striking that both when announcing the emergency budget in the summer, and the comprehensive spending review in October, Chancellor George Osborne stressed that additional benefits would be provided to the lowest income families so as to ensure that child poverty did not increase in spite of the other cuts. Similarly, when announcing a radical overhaul of the welfare system in November (which will involve a single system of benefits, along with much stronger work requirements and incentives), the government emphasized that the reform was designed to reduce child poverty (as well as poverty for childless adults). While it is unlikely that child poverty will fall further given the scope of the cuts in housing benefits and other benefits, and while there is concern that poor families will be disproportionately affected by the cuts in public services as well as the welfare reforms, it is still impressive that the government is paying some attention to the goal of ending child poverty. It is also encouraging that, in spite of the cuts, U.K. policymakers have pledged to continue or even expand funding for some of the key antipoverty programs, in particular, the investments in children.

Universal preschool for 3- and 4-year-olds remains in place, as does the Sure Start program for disadvantaged children under the age of 3; and in fact, the new government has set aside funding to expand preschool for disadvantaged 2-year-olds. Further measures to help poor children are likely to be announced later this year when Labour Party politician Frank Field, newly appointed "poverty czar" in Prime Minister David Cameron's coalition government, completes his child poverty review for the government.

Implications for U.S. antipoverty policy

Clearly, the United Kingdom set itself an ambitious agenda when it declared a goal of halving child poverty in 10 years and ending it in 20. Ten years into their initiative, they have more than achieved their interim goal, if poverty is measured on a U.S.-style absolute poverty line, because of both fiscal effort and persistence. Moreover, child poverty in the United Kingdom continues to decline in the recession, and the new government says they intend to continue to work on the problem. The goal of ending child poverty is now enshrined in U.K. law and also seems to be enshrined in practice, even in the face of the recession.

In the United States, 17 states and several cities (such as New York City) have adopted child poverty reduction goals.[17] At the federal level, while there has not been a statement of a national commitment to end (or reduce) child poverty, some of the measures to address the current recession will have an antipoverty effect, but more must be done. The 2009 ARRA increased the EITC, refundable child tax credits, and food stamps, and extended unemployment insurance, but all these need to be expanded in the face of rising child poverty in 2010 and especially in 2011. Moreover, the American welfare state is built on the belief that there are jobs for all, but there are simply not enough jobs now for the parents of poor children who so desperately need them.

A more concerted national effort will be needed if the United States is to achieve anything like the successes of United Kingdom. The United Kingdom has shown it is possible to reduce child poverty in a meaningful way, if you have the political will to stay the course. The annual fall ritual of reporting new U.S. poverty rates has been completed now and official child poverty is higher than it has been since 1995 and half again as high as the child poverty rate of 14.4 percent in 1973.[18] Will the United States be able to get beyond the shocking child poverty rates reported by the Census Bureau in September and resolve to do something about them before a whole generation is made worse off, or will we follow patterns of the past and simply hope they will just go away?■

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[1]T. M. Smeeding and J. Waldfogel, "Fighting Poverty: Attentive Policy Can Make a Huge Difference," *Journal of Policy Analysis and Management* 29, No. 2 (Winter 2010): 401–407.

[2]J. Waldfogel, *Britain's War on Poverty* (New York: Russell Sage Foundation, 2010).

[3]T. M. Smeeding, "Poor People in Rich Nations: The United States in Comparative Perspective," *Journal of Economic Perspectives* 20, No. 1 (2006): 69–90; and J. C. Gornick and M. Jäntti, "Child Poverty in Upper-Income Countries: Lessons from the Luxembourg Income Study," in *From Child Welfare to Child Well-Being: An International Perspective on Knowledge in the Service of Making Policy* eds. S. B. Kamerman, S. Phipps, and A. Ben-Arieh (New York: Springer Publishing Company, 2010, pp. 339–368).

[4]It is important to note that the United States counts only cash for income in its official poverty measure, and therefore taxes are not subtracted nor are tax credits or near-cash benefits counted, and therefore food stamps (SNAP) and the Earned Income Tax Credit (EITC) are not counted in poverty determination. At the same time, the United Kingdom uses a more full income definition including housing assistance and the working family tax credit (WFTC, which is their EITC). However, the experimental poverty series published by the U.S. Census Bureau, which begins in 1999, includes taxes, EITC, and SNAP, and also shows U.S. child poverty rising from 1999 to 2008. Therefore, the trends in poverty are the same using either U.S. poverty measure. See http://www.census.gov/hhes/www/povmeas/tables.html. for more on the Census Bureau's experimental measures.

[5]E. Monea and I. Sawhill, An Update to 'Simulating the Effect of the Great Recession on Poverty,' Brookings Institution, Washington, DC, 2010. Available at http://www.brookings.edu/papers/2010/0916_poverty_monea_sawhill.aspx.

[6]The / indicates that data come from the two years combined.

[7]C. DeNavas-Walt, B. D. Proctor, and J. C. Smith, *Income, Poverty, and Health Insurance Coverage in the United States: 2009*, Current Population Report P60-238, U.S. Census Bureau, Washington, DC, September 2010.

[8]See, for example, Department for Work and Pensions, *Households Below Average Income*, Annual Report 2010, London, UK.

[9]For further details, see Smeeding and Waldfogel, "Fighting Poverty"; and Waldfogel, *Britain's War on Poverty*.

[10]For details, see Waldfogel, *Britain's War on Poverty*.

[11]Monea and Sawhill, An Update to 'Simulating the Effect of the Great Recession on Poverty.'

[12]J. Hills, "The Blair Government and Child Poverty: An Extra One Percent for Children in the United Kingdom," in *One Percent for the Kids: New Policies, Brighter Futures for America's Children*, ed. I. V. Sawhill (Washington, DC: Brookings Institution, 2003, pp. 137–156).

[13]Waldfogel, *Britain's War on Poverty*.

[14]Ibid.

[15]Ibid.

[16]The noncash benefit increases and tax credits (but not the unemployment insurance extensions) are estimated in T. Smeeding, J. B. Isaacs, J. Y. Marks, and K. Thornton, "The effects of the 2009 ARRA on poverty in Wisconsin," *Fast Focus* No.7-2010 (Rev. December 2010). Available at http://www.irp.wisc.edu/publications/fastfocus/pdfs/FF7-2010.pdf.

[17]J. Levin-Epstein and K. M. Gorzelany, *Seizing the Moment: State Governments and the New Commitment to Reduce Poverty in America*, Center for Law and Social Policy and Spotlight on Poverty and Opportunity, Washington, DC, 2008. Available at http://www.spotlightonpoverty.com/users/spotlight_on_poverty/documents/CLASP%20Report_0414.pdf.

[18]C. DeNavas-Walt, B. D. Proctor, and J. C. Smith, *Income, Poverty, and Health Insurance Coverage in the United States: 2009*; in 1995, U.S. official poverty was 20.8 percent—higher than 2009—and in 1996 it was 20.5 percent.

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