

# **The cost of not ending child poverty**

## **How we can think about it, how it might be measured, and some evidence**

*Donald Hirsch*



The **Joseph Rowntree Foundation** has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy makers, practitioners and service users. The facts presented and views expressed in this report are, however, those of the author[s] and not necessarily those of the Foundation.

Joseph Rowntree Foundation  
The Homestead  
40 Water End  
York YO30 6WP  
**Website:** [www.jrf.org.uk](http://www.jrf.org.uk)

© Joseph Rowntree Foundation 2006

First published 2006 by the Joseph Rowntree Foundation

All rights reserved. Reproduction of this report by photocopying or electronic means for non-commercial purposes is permitted. Otherwise, no part of this report may be reproduced, adapted, stored in a retrieval system or transmitted by any means, electronic, mechanical, photocopying, or otherwise without the prior written permission of the Joseph Rowntree Foundation.

**A pdf version of this publication is available from the JRF website ([www.jrf.org.uk](http://www.jrf.org.uk)).**

<p>This publication can be provided in alternative formats, such as large print, Braille, audiotape and on disk. Please contact: Communications Department, Joseph Rowntree Foundation, The Homestead, 40 Water End, York YO30 6WP. Tel: 01904 615905. Email: <a href="mailto:info@jrf.org.uk">info@jrf.org.uk</a></p>
--

## Summary

The Joseph Rowntree Foundation has been calculating the cost of ending child poverty. But the substantial cost to taxpayers of helping families on low incomes also has to be set against the large costs of allowing child poverty to persist.

Child poverty carries costs to society on many levels. Some are psychological – the burden we all carry of seeing children suffer – and others more tangible. Among tangible consequences, some are experienced by the suffering experienced by individuals and their families, and some by society, including extra money that has to be spent helping people face the consequences of poverty, and the public finance consequences of those who grow up in poverty being less likely to work and having lower earning expectations if they do.

None of these things is easy to quantify. This paper, however, proposes a structure for describing the wider costs of child poverty, and gives some examples of the very large scale of those costs that can be measured. The following costs are not all attributable only to child poverty, but are likely to fall substantially if child poverty were to be eliminated:

- £3 billion a year spent by local authority social services directed at children, more than £1 billion of which goes to residential provision;
- over £500 million a year spent directly on homeless families with children;
- an estimated £3.6 billion a year spent on children with special educational needs, some of whom have social, emotional and behavioural difficulties;
- about £300 million a year spent on free school dinners;
- extra spending on primary healthcare for deprived children, potentially of the order of £500 million a year;
- knock-on costs in lost taxes and extra benefits from adults with poor job prospects linked to educational failure in childhood. For example, the fiscal costs of labour market outcomes for those who are not in education, employment or training aged 16-18 is estimated at above £10 billion over the lifetime of a two-year cohort.

# 1 Introduction

Ending child poverty will not be cheap. The government has already allocated billions of pounds in direct transfers to lift children out of poverty, and developed large programmes aiming to tackle some of the root causes of child poverty such as barriers to parental employment. In our trillion-pound economy, these sums may be considered worth spending, as the price of ending a social problem that offends our basic values. But as the even higher cost of moving towards a total (or near-total) eradication of child poverty becomes apparent, human sympathy alone may not be enough to persuade us to make the necessary resources available. We also need to reflect on how child poverty harms us all, and on the large costs to our society of allowing existing patterns of child poverty to continue.

This paper focuses in particular on costs in money and resources that may arise from the persistence of child poverty, and which need to be taken into account when facing up to the large visible cost of eradicating the problem. First, however, we must acknowledge that the human suffering brought directly to those affected by poverty cannot be quantified in cash terms.

Child poverty carries costs to our society on many different levels.

The most basic is in making us feel uneasy as a community – collectively, we are unhappy to live in a country where most children have plenty but some go to school hungry, go to bed cold or are ashamed to ask their friends back to their homes.

Another kind of cost is the consequences of poverty for the way in which people interact in our society. Many of the problems in our communities that concern ordinary people are influenced, or are potentially influenced, by poverty and social inequalities. In particular, the strains that low income can put on families may influence family functioning, which in turn affects the ways in which young people relate to their environment outside the family. Poverty can contribute significantly to poor health and to the complex causes of antisocial behaviour, disruption in schools, various forms of crime and the influence of illegal drugs.

A third type of cost is more tangible: the cost of services needed to address the immediate consequences of child poverty. Here, an important and difficult distinction is between the cost, on the one hand, of measures that give help to children and families when they experience poverty (that is, the

cost of not tackling child poverty), and, on the other, of getting them out of poverty (the cost of tackling child poverty). For example, the salary of a social worker helping struggling families to cope with life on very low incomes is part of the cost of not tackling child poverty. But the salary of a New Deal adviser helping people in those families to get jobs is part of the cost of *tackling* child poverty – of reducing the problem, not just addressing its effects. Such distinctions are not all so clear-cut. Also, it is hard to categorise the payment of benefits as either a consequence of poverty or part of its solution. A civilised society that does not let its citizens starve will always face a fiscal cost of not ending poverty, since it will have to provide at least a subsistence income. On the other hand, if that income becomes more generous, it may lift some families out of poverty and thus become part of the solution. This paper does not count today's benefit bill in the costs of not ending child poverty. However, it points out that if children continue to grow up on very low incomes, and as a consequence lead disadvantaged lives, the long-term costs to the state will include a greater benefit caseload.

The above three types of cost – public unease, social dysfunction and the cost of remedial services – all apply not just to the initial consequences of poverty on children as they grow up, but also to longer-term impacts on their lives. Longitudinal studies are providing growing evidence of ways in which child poverty feeds through to outcomes in adulthood. Thus adults who have been poor as children may impose greater costs on society than if they had not grown up in poverty – for example, because they are more likely to suffer ill health. In one sense this simply perpetuates the costs to society of an individual being poor in childhood. Compared to child poverty itself, disadvantage in adulthood may provoke less public unease, with less instinctive sympathy than for children. One result may be to make some forms of intervention less common (and thus less costly overall to society). Nevertheless, to the extent that social costs resulting from factors such as poor health outcomes and antisocial behaviours persist into adulthood, it would be hard for society to ignore disadvantage once someone is grown up. Furthermore, two critical aspects of adult outcomes also need to be taken into consideration:

- The cost to society of poor children becoming disadvantaged adults also includes the cost of lost economic potential. An adult whose employment and pay prospects are poor will contribute less to national output and through taxes to the Exchequer, and cost it more in benefits.

- The long-term effect of people growing up poor may be to create intergenerational cycles of poverty, with its underlying causes reproducing and potentially escalating from one generation to the next. If this is so, one of the costs of not tackling poverty now will be to make it even more expensive to tackle in the future – just as we are already facing costs of rises in child poverty in the 1980s, because many of the children growing up then are now parents.

A full exploration of the magnitude of these kinds of costs of child poverty would be a mammoth exercise in sociology, psychology and economics. To provide an accurate costing, the evidence on the outcomes of poverty would need to be stronger and more precise than at present, as would evidence on the implications of these outcomes for social spending. This is true both of immediate impacts and long-term consequences. Another limiting factor is the rudimentary state of the tools that we would need to describe or quantify social consequences that are not readily measurable in financial terms. The impact on the cohesion of communities, for example, is an important cost that does not show up in GDP (gross domestic product). Research on happiness is beginning to show at a general level the importance of social relationships to overall wellbeing, and in this sense the negative impact of poverty on these relationships must be considered an important cost. However, stating this at a general level is not the same as being able to measure or even to estimate the magnitude of the damage done by poverty in a way that can be readily compared to the cost of ending it.

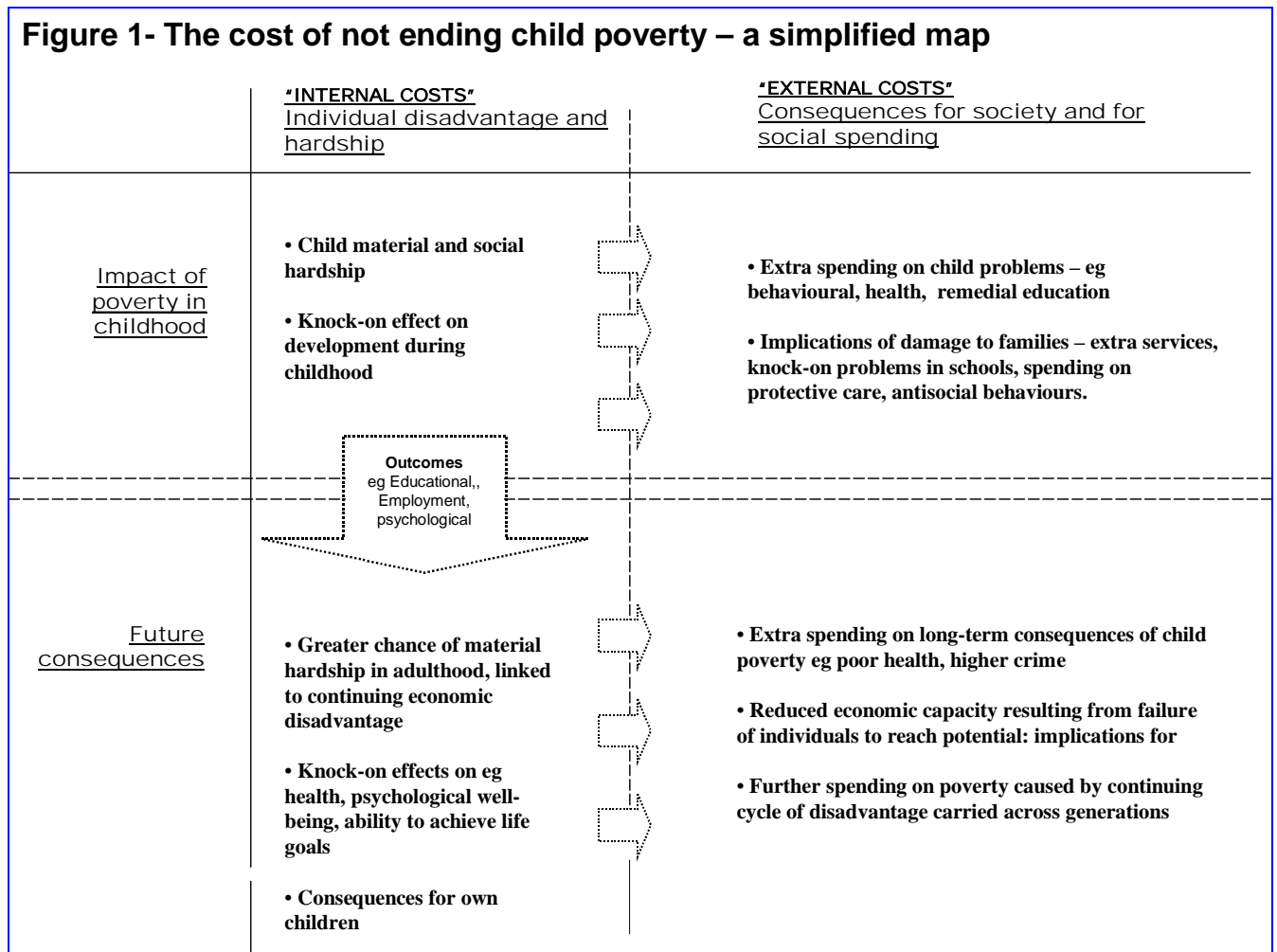
Bearing in mind these limitations, this paper draws attention to a range of relevant evidence about the magnitude of some of the more quantifiable costs of not ending child poverty. It defines poverty in terms of low income, relative to others in society, with a threshold of 60% median household income the most common definition.

## **2 A framework for considering the ‘external’ costs of child poverty**

To aid this analysis, it may be helpful to distinguish the costs of child poverty according to whom they affect and in what timeframe. Figure 1 shows these two aspects as a 2x2 grid. This distinguishes first between consequences for individuals and wider social costs. The latter, ‘external’ costs, which go beyond the suffering experienced by individuals in poverty, are the focus of this paper. However, the experiences of individuals suffering poverty in childhood is important to inform such analysis, since knock-on effects of poverty, whether in childhood or adulthood, will have an impact on wider social consequences and costs. Or to put it another way, one needs to understand what is happening on the left of the ‘map’ as part of measuring impacts on the right. The second distinction is between immediate impacts – those felt by children while they are poor – and future consequences, especially those that carry through into adulthood. As shown by the arrows on the map, the key effects that need to be measured to assess the social costs are the feeding through of immediate impacts on individuals to future impacts and the translation of individual disadvantage at both stages into costs for society.

For all these impacts, much will depend on the circumstances in which children experience poverty, and most particularly whether it is a long-term rather than a transitory experience. If in reducing child poverty to, say, half its present level at any point in time, the number of children whose families experience poverty for years on end were cut to very low levels, many of the costs described in this paper would be avoided. If, on the other hand, those left in poverty were principally children who had the worst experiences of persistent poverty and disadvantage, most of the costs would remain.

**Figure 1- The cost of not ending child poverty – a simplified map**



The following analysis looks in turn at different parts of this diagram, to ask three key questions:

What is the social cost of poverty during childhood?

Does the childhood experience of poverty go on to create problems that are costly to society in adulthood?

To what extent do childhood poverty and disadvantage repeat across generations, multiplying the cost?



### 3 What is the social cost of poverty during childhood?

#### Impact on service requirements

Children living in poverty and their families are likely to make greater than average use of a range of services, that do not directly get them out of poverty but which cost the government money.

#### *Children's services*

The Treasury has estimated that **£7.3 billion** was spent on Sure Start, childcare, nursery education and children's services in 2004-05, and that this will rise to **£9 billion** in 2007-08<sup>1</sup>. Much of this (for example, nursery education) is not targeted on children in low-income families, and some of it (especially Sure Start and support for childcare) is arguably concerned with helping families and children to escape poverty, not just to treat the symptoms.

However, a significant amount of children's services are effectively picking up the effects of poverty, and trying to ameliorate whatever knock-on damage is associated with growing up poor, rather than helping to reduce poverty or address its causes. The recent Commission on Families and the Wellbeing of Children concluded from the research evidence that:

Poverty does matter, not so much because it directly causes children to have problems, but because it makes good family functioning more difficult to achieve<sup>2</sup>.

More than **£3 billion** a year is spent by local authorities on **social services directed at children**, and more than **£1 billion** of this goes to residential provision<sup>3</sup>. Of course not every family that sees a social worker, nor every child who goes into care, is poor, but these services are heavily weighted

---

<sup>1</sup> Gordon Brown, House of Commons, 3 February 2005.

<sup>2</sup> Commission on Families and the Wellbeing of Children (2005) *Families and the state: Two-way support and responsibilities*, Bristol: The Policy Press, page 60, citing especially Corlyon, J., Hunter, S. and Katz, I. (forthcoming) *The relationship between parenting and poverty*, York: Joseph Rowntree Foundation.

<sup>3</sup> The figures for England only in 2000-01 were £2,865 million and £780 million respectively ([www.performance.doh.gov.uk/HPSSS/INDEX.HTM#sectione](http://www.performance.doh.gov.uk/HPSSS/INDEX.HTM#sectione)). Adding on 13% cumulative inflation and 20% for the rest of the UK in proportion to population would make these figures £3.88 billion and £1.05 billion respectively.

towards lower-income families, which are at much greater risk than average of requiring them.

With parenting and family functioning thus playing a crucial role in mediating the link between poverty and children's difficulties outside the home, child poverty can also be seen as a crucial driver of demand for social services support for children. To this extent, a substantial portion of the £3 billion spent on these services can be seen as part of the cost of not ending child poverty.

What is harder is to find areas of spending specifically aimed at countering the effects of child poverty. One example of such a programme, however, is the ***Children's Fund***, on which the government presently spends about **£150 million** a year. The fund was set up specifically to address the effects of poverty and social exclusion by working with children and their families to stop them falling into drug abuse, truancy, exclusion, unemployment or crime. Such a programme aims to 'get families back on track' and may therefore ultimately help reduce poverty if only by averting a self-feeding cycle of behaviour and economic consequences. However, it is a good example of the kind of public cost that will continue to recur if income poverty persists and the government wants to avert the worst consequences.

### *Homelessness*

A form of intervention that follows more directly from child poverty is the response to homelessness. Providing families with temporary accommodation, for example, can be an expensive option that does little or nothing to address the long-term situation of a family that cannot afford or obtain adequate housing. In 2003/04, 135,000 households were accepted as homeless by local authorities, of whom just over half, 69,000, were families with children. If child poverty were ended, more families would have resources that allowed them a range of options to rent or to buy suitable accommodation, which families experiencing poverty do not enjoy even with the backup of Housing Benefit<sup>4</sup>. Child homelessness would not be fully eliminated, but it seems likely that it would be only a small fraction of its

---

<sup>4</sup> For example, even though Housing Benefit can in principle pay the whole of a family's rent, in practice 55% of tenants have rents above eligible thresholds (averaging £23 a week), meaning that non-working families can only afford such accommodation if they find money out of Income Support payments that are scarcely adequate for the basic subsistence for which they are intended. See Citizens Advice (2006) *Early days: CAB evidence on local housing allowance*, London: Citizens Advice.

present level<sup>5</sup>. The National Audit Office has recently estimated that central and local government spend about £1 billion to prevent or respond to homelessness<sup>6</sup>. At least half of this is likely to affect families with children, so **over £500 million** a year is potentially being spent on the impact of child poverty on the associated problem of *homelessness*. Moreover, the cost of children's housing disadvantage is far greater than the amount spent on rehousing their families, and includes knock-on effects on educational and other outcomes<sup>7</sup>.

## *Education*

To what extent does the disadvantage felt at school by children living in poverty carry costs for the government and public agencies? In the UK, the extra costs of educating disadvantaged children is not directly compensated, in that **core** resources going to schools are proportionate to the number of students enrolled with no special weighting for their circumstances. These resources linked directly to student numbers comprise the bulk of what is spent in schools.

Systematic help for schools in disadvantaged areas has brought very limited resources, with only about **£6 million** a year being spent on the six existing *Education Action Zones*. A bigger, but much harder to quantify cost, is that of providing remedial help and special educational needs assistance for students with difficulties emanating from their economic disadvantage. An estimated **£3.6 billion** is spent annually on *students with special educational needs*. At present there is a lack of data breaking down the many needs that fall in this category, but the Department for Education and Skills (DfES) is collecting much better information through a pupil-level census that within the next year should make it possible to distinguish a group with 'behavioural, emotional and social development needs', which

---

<sup>5</sup> A contrary view may be that with a given stock of housing, homelessness would not go away if income inequalities were reduced. However, note that the number of people who are homeless is only a small fraction of the number of empty and unfit properties, so more resources among the worst-off could improve their housing situation without necessarily increasing the stock of housing. It could also potentially change the way in which housing presently used for temporary accommodation is brought into use, with better outcomes for individuals and reduced costs for local authorities.

<sup>6</sup> NAO (National Audit Office) (2005) *More than a roof – Progress in tackling homelessness*, London: NAO.

<sup>7</sup> See, for example, RICS (Royal Institution of Chartered Surveyors) (1996) *The real cost of poor homes*, Coventry: RICS.

may potentially be related for some children to the circumstances of their home lives.

A more direct form of help for children in poverty at school is the provision of free school lunches to those whose families are on benefits. About 1.8 million children receive free school meals, and although it is hard to find an estimate of the total cost, the public cost of a single dinner can be inferred as being somewhere in between the 50p approximate average cost of ingredients and the roughly £1.50 average charge to paying students; on the basis of the cost being £1 per lunch, the *cost of providing free school dinners* can be estimated as being in the order of **£300 million** a year.

## *Healthcare*

Links between economic inequalities and health inequalities have been well documented. But there is no easy way of working out to what extent our healthcare system faces extra costs as a result of child poverty. One complication, applying to ill health among lower-income people of all ages, is that the resources spent by the healthcare system on people with lower incomes is not necessarily proportional to their needs – so the effects of poverty on health may not fully translate into higher spending. For example, Professor Julian Le Grand has for many years produced evidence to show that relative to their needs, people in lower socioeconomic groups use less healthcare than middle-class people. His most recent work, with colleagues at the London School of Economics and Political Science, shows that this may have improved in recent years, yet there remain a number of medical conditions for which the incidence is greater for poorer people but treatment higher for richer people<sup>8</sup>. Thus, even if poverty causes ill health, the costs to healthcare will not necessarily rise proportionately.

On the other hand, poverty does seem to lead to higher spending in some areas of healthcare. Small area studies have shown substantial extra costs to general practitioners (GPs) of treating and providing drugs for people in lower socioeconomic groups. One such study conducted in the 1990s found that people in a part of North London in social classes 4 and 5 cost GPs an

---

<sup>8</sup> Dixon, A., Le Grand, J., Henderson, J., Murray, R. and Poteliakhoff, E. (2003) *Is the NHS equitable? A review of the evidence* ([www.lse.ac.uk/collections/pressAndInformationOffice/newsAndEvents/archives/2003/WoUses\\_theNHS.htm](http://www.lse.ac.uk/collections/pressAndInformationOffice/newsAndEvents/archives/2003/WoUses_theNHS.htm)).

average of £150 a year more per head than those in classes 1 and 2<sup>9</sup>. Taking a child out of poverty would not necessarily reduce spending by exactly this amount<sup>10</sup> (and would necessarily also involve taking at least one parent out of poverty and thus reduce adult as well as child health spending), but this shows that the socioeconomic situation of an individual can, other things being equal, affect the average cost of their healthcare by substantial amounts. If GPs spent £150 extra on each child in poverty, this would cost a total of around **£500 million** a year in *primary care* alone.

One way of interpreting the complex evidence on social background and healthcare costs is that more disadvantaged people with a given condition do not in the first instance make as much use of health services as better-off people, but that ultimately their treatment costs more because of a combination of their poorer health initially and the compounding effect of not intervening early. This hypothesis seems to be borne out by evidence in an area of health with good data: dental health. The 10-yearly survey of children's dental health shows the following information on decayed teeth (see Table 1).

---

<sup>9</sup> Worrall, A., Rea, J.N. and Ben-Shlomo, Y. (1997) 'Counting the cost of social disadvantage in primary care: retrospective analysis of patient data', *British Medical Journal*, vol 314, pp 38-42.

<sup>10</sup> Points to take into account here are: (a) that the study was for all individuals – children on average tend to visit the doctor more; (b) the comparison between people in professional and manual/non-working social groups represents a wider social difference than is represented by a move of an individual from just below to just above the poverty line; but (c) on the other hand, social groups 4 and 5 contain a wide group of people with less concentrated a set of social and economic difficulties than people living below the poverty line; and (d) the study was conducted a decade ago, and the cost of GP services has risen since then.

**Table 1: Children with teeth showing ‘obvious decay experience’ and with filled teeth, UK (2003)**

<b>Age and school status of child</b>	<b>Aged 5, deprived school</b>	<b>Aged 5, non-deprived school</b>	<b>Aged 15 deprived school</b>	<b>Aged 15, non-deprived school</b>
<b>% with any decayed teeth</b>	60	40	72	55
<b>Average number of decayed teeth per child<sup>a</sup></b>	2.5	1.5	2.8	1.9
<b>Average number of fillings per child<sup>a</sup></b>	0.18	0.16	1.6	1.1

Note: <sup>a</sup> Including children with no decayed teeth.

<b>% of decayed teeth that are filled</b>	<b>Children in deprived schools</b>	<b>Children in non-deprived schools</b>
Age 5	7	11
Age 8	15	19
Age 12	47	46
Age 15	57	57

Source: National Statistics (2005) *Children’s dental health in the United Kingdom, 2003, Summary report*, Newport: National Statistics, Tables 8.1 and 8.2

This evidence shows that children in deprived schools have about 50% more tooth decay than children in non-deprived schools. However, at primary school, they are less likely to have decayed teeth filled and so have similar numbers of fillings as those in non-deprived schools. By secondary school, on the other hand, the (cumulative) level of treatment is similar in the two kinds of school, and therefore those in deprived schools have about 50% more fillings. This suggests that an initial neglect of a health problem among a more disadvantaged group of children does not prevent the cost of their ill health costing more in public money in the longer term.

## Further knock-on effects of poverty during childhood

A child who grows up in poverty does not automatically become a delinquent. Most children who experience poverty grow up to be law-abiding citizens. However, evidence shows that having a disadvantaged background increases the risk of disaffection and of offending (see below). This adds to the potential benefits of ending child poverty, but should not cause society to stigmatise children growing up poor by assuming that they will display antisocial behaviour.

Children from disadvantaged backgrounds are more likely to get into trouble inside and outside school<sup>11</sup>. At present, society pays a high price for antisocial behaviour of various kinds, both in terms of public spending and in terms of anxiety and suffering caused by the behaviour itself. Poverty is not the only cause of such behaviour, or necessarily the most important underlying driver. Yet, as noted above, poverty can contribute to family difficulties that have a knock-on effect on children's development and behaviours. Ending child poverty would thus arguably make an important contribution to improving the ways in which children and young people function and behave in our society.

The direct financial costs to the public sector of disruptive, antisocial and criminal behaviours among children include:

- The costs of the youth justice system. At the extreme, young people who are convicted and sentenced cost an average **£6,000** for a non-custodial and **£21,000** for a custodial sentence of six months<sup>12</sup>.
- The cost of pupil referral units and other measures to deal with school children with behavioural issues. The average cost of a student

---

<sup>11</sup> The evidence for this is reviewed most thoroughly in YJB (Youth Justice Board) (2005) *Risk and protective factors*, London: YJB. Although poverty itself is just one of many aspects of home background affecting the risk of antisocial behaviour and offending, this report points out, for example, that boys who came from the lowest-income families at age eight are twice as likely to have a criminal record at the age of 18 as those whose family incomes are 'adequate' or 'comfortable'. Caroline Pascal, 'Causes and effects of delinquent behaviour and social exclusion' ([www.lse.ac.uk/collections/LSEHousing/pdf/carolinePaper2.pdf](http://www.lse.ac.uk/collections/LSEHousing/pdf/carolinePaper2.pdf)) reviews evidence on how delinquency can both follow from and add to social exclusion.

<sup>12</sup> Nacro (2003) 'Cost of jailing children too high a price to pay' ([www.nacro.org.uk/templates/news/newsitem.cfm/2003091500.htm/archive](http://www.nacro.org.uk/templates/news/newsitem.cfm/2003091500.htm/archive)), London: Nacro.

attending a unit is **£10,000** a year<sup>13</sup>, three times the cost of educating an average student.

- The cost of programmes to combat drug abuse and support drug users. (There is some evidence that poverty is associated with a greater risk of drug use among young people<sup>14</sup>, and more widely the danger that disadvantage will ultimately lead to disaffection and eventually make young people vulnerable to drug-taking.) The National Treatment Outcome Research Study has produced estimates that among a group of 500 people being treated for drug misuse over a four-year period, treatment cost an average of about **£15,000** each. By far the biggest component of the estimated economic effect of this treatment was the saving of **£54,000** per participant in reduced crime, including the averted costs to victims. This was based on a very high rate of offending immediately prior to treatment, and is an indicator of the extent to which drug misuse causes wide social costs<sup>15</sup>.

However, these direct costs express only a small part of the cost that society must pay for having disaffected young people. The operation of neighbourhoods and of institutions within them such as schools can be profoundly affected by such disaffection, adding greatly to social unease. For example, for many parents with children in secondary schools, the fear of sending their children to a school in which unruly behaviour might either hinder learning or cause their teenage child to be 'led astray' tends to dominate school choice – much more so than purely 'educational' criteria such as teaching quality<sup>16</sup>. This helps explain why so many parents are guided by crude league table results, which largely reflect a school's intake rather than 'value added'. Since not everyone can go to a school with above-average intake/examination results, this ultimately leads to disappointment and social division. In a country in which social class

---

<sup>13</sup> *Hansard*, 21 February 2005: Column 288W.

<sup>14</sup> See, for example, National Statistics (2002) *Smoking, drinking and drug use among young people in England in 2002*, Newport: National Statistics.

<sup>15</sup> Godfrey, C., Stewart, D. and Gossop, M. (2004) 'Economic analysis of costs and consequences of the treatment of drug misuse: 2-year outcome data from the National Treatment Outcome Research Study (NTORS)', *Addiction*, vol 99, pp 697-707.

<sup>16</sup> Studies of school choice have consistently reinforced this point. See, for example, Woods, P., Bagley, C. and Glatter, R. (1998) *School choice and competition: Markets in the public interest?*, London: Routledge, reviewing a large research programme ('PASCI') which found that parents are much more swayed by 'social' perceptions of schools and their relationship to school atmosphere than specific 'educational' criteria like quality of teaching.



remains important, the end of child poverty would not put an end to this counterproductive feature of our education system. However, the reduction of the number of children who come to school from homes with severe social difficulties is likely to moderate some of the most difficult situations presently encountered in deprived schools, and thus to lessen the importance of socially based school differences. International evidence provides some support for this. For example, the Organisation for Economic Co-operation and Development's (OECD's) PISA study shows that in all of the Nordic countries, where child poverty is low, only a very small proportion of the variation in student performance aged 15 (between 2% and 6%, compared to an OECD average of 23%, and 16% in the UK) is accounted for by the social background of students, either as individuals or collectively, in terms of the social profile of schools<sup>17</sup>.

---

<sup>17</sup> OECD (Organisation for Economic Co-operation and Development (2004) *Learning for tomorrow's world – First results from PISA 2003*, Paris: OECD, page 383. The UK figure is not strictly comparable in this survey since sampling requirements were not fulfilled, but the figure was the same in the earlier PISA survey in 2000, when the UK met requirements.

## 4 Does the experience of poverty go on to create problems that are costly to society in adulthood?

Longitudinal studies show that the costs of child poverty outlast childhood. Adults who have experienced childhood poverty, for example, are:

- less likely to work, creating more demands on social security and employment services;
- more likely to have low earnings, potentially<sup>18</sup> reducing revenue to the Exchequer and increasing the need for tax credits;
- more likely to be offenders, creating further costs to the criminal justice system and to overall social welfare.

These effects are shown for example in Gregg et al's analysis of the 1958 cohort study<sup>19</sup>. Children growing up in families with financial difficulties were found, independently of other aspects of home background and of educational outcomes, to have worse employment prospects aged 23, and lower employment prospects and wages (for men) aged 33. These penalties are not trivial – for example, men born in 1958 whose families experienced financial difficulties when they were children earned about £1 an hour less than average by the age of 33, and were more than 50% more likely than average not to be working. They were also about twice as likely to have been to prison, or in the case of women to be lone parents, even after other aspects of their family background were taken into account. However, the link with prison appears largely to be 'mediated' by educational attainment rather than having a strong separate association with financial hardship in childhood.

It is not easy to estimate the costs of these knock-on effects of childhood poverty on multiple adult outcomes, if only because there are so many 'mediating' factors associated with the poverty effect (see next section). A relatively more straightforward exercise is to consider subsequent costs associated with one particular phenomenon at the end of childhood, which has a strong relationship with childhood poverty. Young people whose lives have gone wrong as children emerge, at worst, as young adults with neither

---

<sup>18</sup> Assuming that there is some impact on the overall distribution of earnings, that is, if fewer children grew up poor, there would not simply be the same number of low-earning people in that cohort in adulthood, but with less intergenerational selection. See next section for more discussion of this point.

<sup>19</sup> Gregg, P., Harkness, S. and Machin, S. (1999) *Child development and family income*, York: Joseph Rowntree Foundation.

qualifications nor jobs, and no immediate prospect of obtaining either. Thus, people who in their late teens are neither in employment nor in education or training (known in the jargon as 'NEETs') are likely to have both a difficult future, with limited earnings potential that put them at risk of poverty, as well as to have had a difficult past.

Christine Godfrey and colleagues at the Universities of York and Hull have attempted to calculate present and future costs to individuals and to the public purse of not being in education, employment or training aged 16-18<sup>20</sup>. The biggest public finance costs that they identified were attributable to employment and earnings outcomes, as shown in the following table.

**Table 2: Public finance costs of a single generation of 16- to 18-year-olds not in education, employment or training**

	<b>Current cost</b>	<b>Future cost over next 10 years</b>
<b>Educational underachievement leads to lower earnings and thus taxes/contributions</b>	£48 million	£3.9 billion
<b>Greater risk of unemployment and inactivity reduces tax take and increases benefits bill</b>	£802 million	£10.1 billion

While the effects shown in the first and second rows of this table may overlap, the authors also point out that these preliminary costings may well underestimate the total bill, since not all costs can be identified. The particularly large cost of higher unemployment and inactivity for this group between their late teens and their late 20s is due in large part (about half the effect) to the association of being 'NEET' age 16-18 and early motherhood, but also to the effects of unemployment in this period. The

<sup>20</sup> Godfrey, C., Hutton, S., Bradshaw, J., Coles, B., Craig, G. and Johnson, J. (2002) *Estimating the cost of being 'not in education, employment or training' at age 16-18*, DFES Research Report No 346, London: DfES.

latter includes the combined cost of lost taxes, the payment of unemployment or Income Support and payment of Housing Benefit.

As with previous figures in this paper, these costs cannot be wholly attributed to child poverty, yet the chance of educational failure is so much higher for children growing up with low income that this is bound to play a part. Differences in educational outcomes by social background appear from an early age, with nearly twice as many children from deprived schools (with over 35% on free school meals) than on average failing to reach expected literacy standards at age 11<sup>21</sup>.

---

<sup>21</sup> Palmer, G., North, J., Carr, J. and Kenway, P. (2003) *Monitoring poverty and social exclusion 2003*, York: Joseph Rowntree Foundation, p 49.

## 5 To what extent do childhood poverty and disadvantage repeat across generations?

Adults who have grown up in poverty are more likely themselves to be poor, and this means that their children too will be more likely to grow up in poverty. How strong is this phenomenon, and what kinds of extra costs may it create in the long term?

A recent analysis of cohort studies sheds direct light on these questions, and brings evidence from these studies more up to date than previous research<sup>22</sup>. It finds in particular that:

- People who were poor as teenagers in the 1980s had poverty rates of 19% by their early 30s, compared to 10% for men and 5% for women among their contemporaries who had not been poor.
- This extra chance of being poor in their early 30s is twice as severe for poor teenagers of the 1980s than for poor teenagers of the 1970s, as measured by relative 'odds ratios'.

The extra chance of poverty in later life among people who were poor as teenagers persists into middle age (early 40s), even among those who were not poor in their early 30s.

- The degree to which poverty as a teenager predicts poverty as an adult, independently of other characteristics such as family background, grew substantially between the teenagers of the 1970s and those of the 1980s.

One crude way of looking at these findings is to regard the extra chance of being poor in adulthood if one is poor as a teenager as creating 'extra' poverty in the long term. Over one generation, if someone who has grown up poor has a higher than average chance of being poor equivalent to 12 percentage points<sup>23</sup>, then the cost of a million children growing up in poverty will on average be to produce a further 120,000 poor children in the next generation (assuming that every pair of adults produces two children). Thus a policy that does not end child poverty but merely treats its symptoms by

---

<sup>22</sup> Blanden, J. and Gibbons, S. (2006) *The persistence of poverty across generations: A view from two British cohorts*, Bristol: The Policy Press.

<sup>23</sup> This is the average percentage point difference for teenage boys and girls in the 1970s and 1980s at age 30.

paying sub-poverty line benefits and dealing with other consequences will become more expensive generation by generation. Over six generations, other things being equal, these costs will double.

This theoretical calculation serves to illustrate how ignoring poverty could become unsustainable in the long term. The point is reinforced by the evidence cited above that, not only has poverty worsened in recent years, but its intergenerational effect appears to have strengthened.

What lies behind this growing intergenerational effect? One clue may lie in looking at which factors are 'mediating' the effect: what characteristics associated with poverty are more likely to be shown by adults who were poor as teenagers? The research shows that the two strongest factors are being out of a job and (for woman) having families young. In this context, it is relevant to note that young people who entered the labour market from the 1980s faced greater job uncertainty than in previous decades, while young women who entered adulthood then were more likely to become lone parents. Thus, social and economic change appear to have made the world a more risky place, with people emerging from disadvantaged childhoods facing a greater chance of passing on those disadvantages to the next generation.

While these are powerful overall conclusions, an underlying difficulty with estimating the magnitude of consequent costs is the distinction between selection effects and effects on outcomes for the whole population. For example, knowing that the poorest, or the least educated, children will have a greater chance of being poor as adults may only tell us how to predict *who* will be in poverty tomorrow, rather than *how many* will be poor. If wages remain unequal and jobs unstable, such structural features of the economy may inevitably produce a given number of losers.

In practice, however, evidence suggests that improvements in overall child outcomes do have some benefit for the whole economy and for the structure of inequalities, even if these may not be as great as suggested by differences in wages at a point of time among people with different childhood backgrounds. For example, a considerable literature on human capital shows that countries that do more to upgrade education and skills over time have had faster economic growth. It also appears that in countries where fewer workers have relatively low basic skills, fewer households have

relatively low incomes<sup>24</sup>. This may be because over the long term, countries in which high proportions of adults are work-ready and high proportions have skills, the quantity and structure of jobs adapts to make best use of this kind of workforce. Thus human capital is important not just to total GDP but also to inequalities in its distribution, and hence to relative poverty.

---

<sup>24</sup> See, for example, Hirsch, D. and Darton, D. (2003) 'Tackling disadvantage: incomes', in D. Darton and J. Strelitz (eds) *Tackling UK poverty and disadvantage in the twenty-first century: An exploration of the issues*, York: York Publishing Services for the Joseph Rowntree Foundation, p 113.

## **6 Conclusion: the costs of not ending child poverty, seen as a whole**

It would be misleading to try to add up the examples and calculations in this paper to produce a single annual cost of not ending poverty. The earlier discussion has shown that the costs are so far-reaching and complex, with overlapping phenomena that defy aggregation. Yet by the same token, this evidence shows that the costs are bound to be high, even in terms of public finance, before the human suffering and intangible consequences of social damage have been taken into account. In particular our spending on social problems with strong associations with child poverty runs into billions of pounds, as do the future fiscal implications of substantial numbers of people completing childhood with characteristics that substantially reduce their chances of participating in the labour market at different points in their lives.

Moreover, while the world is too complex a place to allow us even to estimate the total cost of poverty to society at this time, one can come closer when looking at individuals. The charity Barnardo's did so convincingly in 2002, by producing a report that considered how much was spent on services helping eight young people whose lives had been blighted by childhood poverty. They had all had chaotic childhoods blighted by the interaction of parental issues such as depression, drug addiction or alcoholism with economic disadvantage. Each had had tens of thousands of pounds spent on them (and some hundreds of thousands in the case of local authority care), which Barnardo's argued could have been avoided with early intervention and help for their families<sup>25</sup>.

In the past few years, as families with children have taken over from pensioners as the largest group in poverty, society has started to become aware of the huge long-term costs of allowing children to grow up in poverty. The growing evidence of intergenerational effects, and the signs that these effects could themselves be growing in a world with more risks for those who face difficulties in their early years, show that a once-for-all eradication of poverty look like potentially an excellent investment. The Joseph Rowntree Foundation's estimate of the cost of ending child poverty by 2020 will show the scale of such an investment; this paper has suggested that a high return could justify what might otherwise appear an unaffordable outlay.

---

<sup>25</sup> Barnardo's (2000) *Counting the cost of child poverty*, Barking: Barnardo's.