



TACKLING CHILD POVERTY & IMPROVING CHILD WELL-BEING: LESSONS FROM BRITAIN

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The Foundation for Child Development's Child and Youth Well-Being Index (CWI) tracks the well-being of children and youth in the United States over time. The CWI reports in 2009 and 2010 focused on the Great Recession and provided some of the first evidence about the impact of the economic downturn on child poverty and well-being.¹ Even prior to the recession, children were at disproportionate risk of poverty, and newly released Census data confirm that poverty has risen more for children during the recession than it has for other groups.²

Child poverty has implications not just for hardship in the short-term, but also for long-term health and development. Children who experience poverty, particularly if it occurs early in their life or for an extended period, are at risk for a host of adverse health and developmental outcomes.³ These outcomes impose costs not just for the children who experience them, but also for the rest of society. Children who do not complete high school, for example, are more likely to go on to become teen parents, to be unemployed, and to be incarcerated, all of which come with heavy social and economic costs.⁴

In the United States, it is often thought that child poverty is an intractable problem. Clearly, the causes of child poverty are complex and multi-faceted, and there is no magic bullet that would eliminate poverty or its adverse effects. But there is evidence that policies that raise family incomes can lead to improved child and family well-being.⁵ There is also evidence that home visiting, early childhood, nutrition, and other social programs, particularly if they are high-quality, can lead to improved outcomes for poor children.⁶

However, given constrained budgets, funds to address child poverty, through whatever means, are necessarily limited. The recession has tightened not just families' budgets but those of states and the federal government as well. Policymakers must consider carefully which policies are most likely to have an effect on child poverty and allocate their scarce resources wisely.

This paper describes recent efforts to reduce child poverty by a peer country, Britain, drawing on my book, *Britain's War on Poverty*.⁷ In 1999, then Prime Minister Tony Blair made a remarkable pledge to end child poverty, and over the subsequent decade, he and Gordon Brown (initially as Chancellor, and later as Prime Minister) carried out an ambitious and multi-faceted anti-poverty campaign. Although their New Labour government did not succeed in ending child poverty, they did make a substantial dent in it, reducing child poverty by more than half if measured in absolute terms as we do in the United States. Remarkably, their success in reducing child poverty continued even during the recession, as child poverty fell again in the last year, in sharp contrast to the pattern for the United States, where child poverty has now reached its highest level in 20 years.

But the story does not end there. In May 2010, a new coalition government of Conservatives and Liberal Democrats took office in Britain. Although the new government has affirmed its commitment to ending child poverty, they are also committed to making deep budget cuts. It is not yet clear what the impact of those cuts will be, but the government has stressed its goal of at least not increasing child poverty.⁸

How did Britain manage to make such a substantial reduction in child poverty? What's next for their anti-poverty initiative? And, what lessons can the US learn from their experience? Drawing on research carried out over the past

decade, this paper summarizes what we know about Britain's war on poverty, their likely next steps, and implications and lessons for the US.

THE ANTI-POVERTY INITIATIVE

Britain's ambitious anti-poverty initiative consisted of three strands: a set of measures to promote work and "make work pay"; increased financial support for families; and a series of investments in children.

The first strand included the New Deal for Lone Parents, a primarily voluntary welfare-to-work scheme. It also included measures to make work pay, including Britain's first national minimum wage, tax reductions for low-income workers and their employers, and a new tax credit, the working families tax credit (later replaced by the more generous working tax credit). Together, these reforms were successful in promoting work. Lone-parent employment increased by 12 percentage points – from 45 percent to 57 percent – between 1997 and 2008, with at least half of this increase attributable to the reforms. In addition, the incomes families could expect from work also increased.

The second strand of the reforms was a set of measures to raise incomes for families with children, whether or not parents were in work. The value of the universal child benefit was raised substantially starting in 1999, with particularly large increases for families with young children. Means-tested income support benefits for low-income families with young children were also raised. The government also introduced a new children's tax credit for low- and middle-income families with children (later replaced by the child tax credit). These measures raised family incomes substantially for those at the bottom of the income distribution and also reduced material hardship.

Investments in children were the third strand. These were seen as essential to reduce the risk of poverty being passed on from one generation to the next. An extensive set of reforms focused on early childhood: the period of paid maternity leave was doubled to nine months; two weeks of paid paternity leave were introduced; universal pre-school for three and four year olds was introduced; childcare assistance for working families was expanded, and legislation was enacted placing a duty on local authorities to provide adequate childcare; parents with young children were given the right to request part-time or flexible working hours; and the Sure Start program for families with infants and toddlers was rolled out in the poorest areas.⁹ For school-age children and adolescents, a series of measures were implemented to improve primary and secondary education. In primary schools, class sizes were reduced and literacy and numeracy hours were introduced requiring teachers to spend at least an hour a day on each of those subjects. At the secondary level, reforms targeted the worst-performing schools and also aimed to increase the share of adolescents staying in school beyond age 16. Funding for education at both levels was increased. Test score data showed progress in terms of overall levels of achievement and also narrowing gaps.

Together, these anti-poverty initiatives amounted to a very sizeable investment in children, with the additional benefits disproportionately going to the lowest income children. By April 2010, the average family with children was £2,000 (roughly \$3,200) a year better off, while families in the bottom fifth of the income distribution were £4,500 (roughly \$7,200) a year better off.

THE IMPACT ON CHILD POVERTY

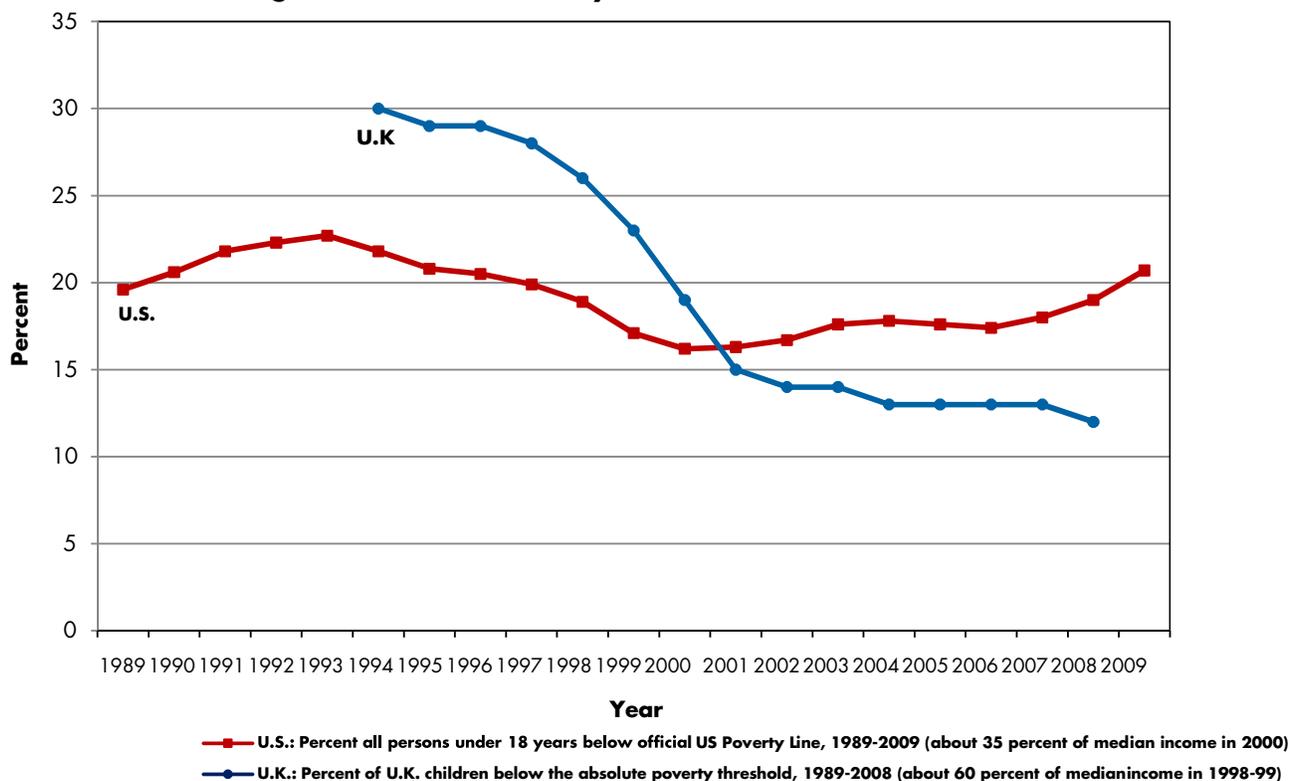
When Tony Blair declared war on poverty in 1999, 3.4 million children – one in four – were in poverty, using both the absolute and relative measures of poverty. Ten years later, absolute poverty (using the official government measure tied to living standards in 1998/99, updated only for inflation) had fallen by more than half (1.8 million), while relative poverty (using the official government measure of the poverty line as 60 percent of average income) had fallen by 15 percent (600,000 children).¹⁰

The two measures tell a different story because the relative measure, which is effectively a measure of inequality, is influenced by changes in the income of the median family. The fact that absolute poverty plummeted means that the incomes of families at the bottom rose. But that incomes of families in the middle were rising too. The fact that relative poverty fell, but less sharply than absolute poverty, indicates that incomes were rising faster for the poor than for the median family, but not fast enough to fully close the gap. Statistics on Britain's third official poverty measure – material deprivation – show that there were sharp and sustained decreases in material hardship for the most vulnerable families. There is also evidence that the reforms led to improvements in child well-being. Low-income families with young children increased spending on items such as children's clothing, books, and toys, and decreased spending on alcohol and tobacco.¹¹ Families in areas served by the Sure Start program for low-income families with infants and toddlers showed improvements in parenting, child health, and child behavior.¹² In addition, adolescents in lone-parent families benefiting from the reforms were found to have improved mental health, school attendance, and school intentions¹³.

A comparison of trends in child poverty in the US and Britain confirms how extraordinary the British record was.¹⁴ Using each country's official measure of absolute poverty, Figure 1 shows that child poverty fell during welfare reform in the US, stabilized, and then rose during the recession, to its present level of nearly 21 percent. In Britain, in contrast, child poverty fell more sharply and that progress has been sustained, with the most recent data showing child poverty continuing to fall even in the recession, and with a current rate considerably lower than in the US, at 12 percent.

As already noted, poverty did not fall as much on Britain's relative poverty measure. The US does not have a comparable relative poverty measure, but most of Europe does. Comparing trends in Britain with trends for Europe overall confirms that the British reductions in child poverty were not inevitable but rather were the result of government policy. Overall, levels of income inequality were increasing over the period, which means that relative child poverty rates would have *risen* had the child poverty initiative not been undertaken. Seen from this perspective, the British child poverty reductions, even on the relative measure, are very impressive.

Figure 1: Absolute Poverty in the U.S. & U.K. 1989–2009



Source: U.S. Census Bureau (2010); U.K. Department of Work and Pensions (2010); HBAI, 81.

WHAT'S NEXT FOR BRITAIN?

With the election in May 2010, the New Labour government came to a close, and a new coalition government of Conservatives and Liberal Democrats came into office. This is a fitting moment to assess the New Labour legacy and also to think about next steps for Britain.

My assessment is that Tony Blair and Gordon Brown not only achieved a dramatic reduction in child poverty -- they also put child poverty on the national agenda in what looks to be a lasting way. Just prior to the election in 2010, the Child Poverty Bill was enacted in Parliament, enshrining the goal of ending child poverty in law. It is telling that the bill was passed with support from all three major parties.

Since coming into office in May 2010, the new coalition government has stressed its commitment to ending child poverty. But it is also committed to drastically cutting public spending. The two goals are clearly incompatible. The compromise seems to be that the government will do what it can to ensure that child poverty does not increase. Thus, in their emergency budget of June 2010, the government announced that they would be offsetting other benefit cuts by increasing child tax credits for the lowest income families, and pledged that as a whole, the measures included in the budget would not raise child poverty. Similarly, in the October 2010 comprehensive spending review,

while announcing sharp reductions in means-tested benefits (and the elimination of child benefits for high-income families), the government again emphasized that child tax credits for the low-income would rise so that measured child poverty would not increase. And, while announcing deep cuts in public services, the government announced that it would not be cutting the Sure Start program for disadvantaged families with infants and toddlers or the universal preschool program for 3 and 4 year olds, and in fact would be expanding preschool for disadvantaged 2 year olds. Additional programs for poor children may be announced later this year when the poverty review, being led by Frank Field (a Member of Parliament from the Labour Party), is completed.

So, while there is no doubt that the direction of social policy has taken a sharp turn with the change in government, it does not seem to be the case that Britain's war on poverty has been completely abandoned. It is true that the coming years may not see further reductions in child poverty, but the government does seem committed to the goal that child poverty will not increase on their watch. In the current political and economic context, this is good news. More difficult to measure, however, are effects on hardship and child well-being. The cuts in local and other public services will be very extensive (many departments are facing cuts of 20 percent or more) and low-income children and families will be sharply affected by those.¹⁵ So, while we may not see immediate impacts in terms of income poverty, there may still be adverse consequences in terms of material hardship and child and family well-being. It will be important to keep an eye on these other indicators as the new government's plans unfold.

IMPLICATIONS FOR US ANTI-POVERTY POLICY

With the recent transition in the British government, now is an opportune time to pause and consider lessons for anti-poverty reforms in the US. The time is also right in that child poverty is now on the public agenda in the US in a way that it has not been for quite some time.

What implications can the US draw from the British experience? In my view, the most important implication is that it is possible to make a sizable reduction in child poverty. Britain's success in reducing child poverty over the past decade provides a very clear message: where there is a serious public intention and effort to tackle child poverty, substantial reductions can in fact be achieved. If we think that there is nothing government can do to reduce child poverty – defined in American terms – the British example clearly provides strong evidence to the contrary. Child poverty is not an intractable problem, nor are high child poverty rates an inevitable feature of our advanced industrialized economies. If Britain could cut absolute child poverty in half in ten years, the US, and other wealthy nations, can too.

LESSONS FOR THE US

If the US is to tackle child poverty, whether at the local, state, or national level, what lessons can be drawn from the British experience of the past decade? I would highlight three types. The first set of lessons has to do with specific reforms that Britain enacted, keeping in mind both what has worked in the British context but also what might

be feasible in the US context. The second set involves the process of reform. The third concerns lessons about politics.

Lessons from Britain about specific policy reforms

There are several elements of the British reform package that the US could usefully learn from. Contrasting the British approach to the approach the US took under welfare reform and in subsequent reforms, and highlighting the elements that seem to have been most successful in the British anti-poverty effort and might be feasible in the US, I would make the following recommendations for the US.

Promoting Work & Making Work Pay

First, in the area of policies to promote work and make work pay, the US can learn from Britain's success in introducing a national minimum wage, set at a higher level than in the US and updated annually. It is worth noting the minimum wage was originally bitterly opposed by the Conservative Party. However, the Conservative Party has now reversed its position on this issue and the national minimum wage is now seen by all parties in Britain as being a key element in providing an income above the poverty line for families with children -- and an element that does not entail government spending. So raising the minimum wage in the US should not be seen as politically impossible. It is difficult in the US context, because it requires legislation to do so. Thus, it would be worth focusing in the US context on not only raising the minimum wage but ensuring that it is automatically updated in line with inflation, as Britain's is.

Also in the area of promoting work and making work pay, the US can learn from Britain's model of having tax credits for low-income working families paid weekly or monthly (rather than at the end of the year) and with no charge to the family. The US tax credit for low-income working families, the Earned Income Tax Credit (EITC), is mainly paid to families at the end of each year, and many families pay exorbitant fees to tax preparers to claim it.¹⁶ There is an advanced payment option whereby families can receive the credit in regular payments throughout the year, but this option is little used. So the US should experiment with programs to increase the take-up of the advanced payment option for the EITC and also to help families claim the credit without paying exorbitant fees to tax preparers.

Strengthening the Safety Net

Second, with regard to policies that provide a safety net of benefits to families with children whether or not parents are working, the US can learn from the British child tax credit which reaches all low- and middle-income families whether or not parents are working. The US has a similar federal child tax credit, but our program is not fully refundable, meaning that the lowest income families are not eligible for it. To ensure that the federal child tax credit truly acts as a safety net, the US should make it fully refundable so it reaches all poor children.

Also with regard to safety net policies, the US can learn from the British efforts to shift resources to the youngest children so that they receive equal or higher benefits than older children. This change was made both in the

universal child benefit but also in the means-tested cash assistance (welfare) programs. Given the evidence on the importance of the early years and the influence of income in those years, Britain decided to invest its scarce resources there to the extent possible. The US should make a similar commitment and should explore ways to target additional benefits to families with the youngest children (through differential values of the EITC or other tax credits, for example).

Investing in Children

Third, there are a host of lessons with regard to investments to improve outcomes for children (some of which also support the aims of promoting work and making work pay, and/or raising family incomes). Britain made particularly remarkable progress over the past decade in expanding its array of work-family policies. To promote early child health and development, they doubled the length of paid maternity leave and established a minimum period of paid paternity leave. The US should follow suit, extending job protected leave rights to all new mothers and fathers and enacting paid leave, to allow parents to stay home with their newborn in those crucial first weeks and months after a birth. Changing the current US policy, which provides only 12 weeks of unpaid leave and covers only half of the US workforce, will not be easy. But states are moving forward with providing paid parental leave using a social insurance mechanism (whereby employees contribute to a social insurance fund, from which new parents are reimbursed when they are out on leave, rather than having employers pay their wages). These state laws, along with the handful of state laws covering pregnancy and childbirth through disability programs, are useful in covering some new parents and also in establishing models that federal lawmakers could adopt in future.

Another very promising work-family policy that the US should emulate is the “right to request.” Britain’s experience with implementing the right for parents of young children to request part-time or flexible hours and to have those requests reasonably considered exceeded all expectations – in the first year alone, a million parents came forward and nearly all their requests were granted on a voluntary basis. Clearly there was a huge pent-up demand for part-time and flexible hours on the part of employees, and little opposition on the part of employers. The policy was so successful that it is now being extended to all employees with children (not just those with young children), an extension that the new Conservative and Liberal Democrat coalition government supports. Given the strong demand for more flexibility on the part of US workers, and the interest in flexibility on the part of US employers and policymakers including the White House, the US should follow the British lead and enact a right for parents to request part-time or flexible hours.¹⁷ As a voluntary policy, this would not place an undue burden on employers. A further advantage is that it would not entail any costs to government.

Early childhood investments were a centerpiece of the British reforms, as I have described earlier. Good-quality preschool programs help prepare all children for school and also help close gaps in school readiness between disadvantaged children and their more advantaged peers (because disadvantaged children gain more from preschool, but would be least likely to attend in the absence of government programs).¹⁸ Drawing on Britain’s decisive move to universal preschool for 3- and 4-year olds, the US should make the commitment to provide universal preschool for our 3 and 4-year olds. We have ample evidence from US research about the merits of preschool and prekindergarten

programs and we can draw on that evidence base in deciding what specific type(s) of provision to support.¹⁹ The federal government already makes substantial investments in preschool through funding for Head Start and child care subsidies. States have increased their investments in this area as well and are in particular making substantial investments in prekindergarten programs, but their budgets are limited. It is time for the federal government to take the lead in this area and provide funding to ensure that all 3 and 4 year olds have access to preschool. In addition, the US should take a lesson from Britain's ambitious Sure Start and other early intervention programs for disadvantaged children age 0-3 and commit to directing more investments to this vulnerable group. Here again, policymakers can draw on evidence from US early intervention programs in deciding which programs to support.

There is also much for the US to learn from Britain's ambitious education reforms. Improving schools is extraordinarily difficult, yet the British reforms achieved some success in improving primary and secondary schools, raising overall achievement and closing some of the gaps between disadvantaged and more advantaged youth. US education reformers should consider whether some of the British education initiatives might be worth experimenting with in the US context. For example, there might be a role in the US for curriculum measures like the literacy hour and the numeracy hour, which required primary school teachers to spend an hour a day on each of these subjects. Results showed that these measures, while very inexpensive to implement, produced significant gains in student learning. Britain also has a well-established external accountability mechanism through its inspection system, which sends experienced inspectors to visit and assess the performance of all schools on a regular basis. Tougher accountability, if adequately financed and coupled with teacher support and professional development, might help US school systems keep better track of their schools' performance and take quicker action to help poor-performing schools improve (or close) and to learn from the best-performing schools.

Lessons about the process of reform

There are also some lessons having to do with the process of reform. A clear implication of the British experience is that it is not necessary to work out all the details of an anti-poverty policy in advance. Stating a goal and setting targets – as Blair and Brown did in 1999 – can mobilize government and drive the development of specific strategies. Targets, of course, are not a cure-all, and they do carry risks. But, if chosen well and prioritized, targets can be a very effective way of mobilizing government.

Mayor Bloomberg's anti-poverty initiative in New York City provides a striking illustration of how a British-style anti-poverty campaign might get off the ground in the US context. New York City's Commission on Economic Opportunity, led by Geoffrey Canada (the founder of the Harlem Children's Zone) and Richard Parsons (then chairman of Time/Warner), brought together individuals from various sectors of the city to brainstorm how the city could meet the Mayor's goal of making a substantial reduction in poverty.²⁰ The result has been a plethora of innovative anti-poverty reforms which are now being implemented (some city-wide, others on a pilot basis).²¹ Not all will be successful, but some will be. And all are being evaluated, so there will be opportunities for other cities and jurisdictions to learn from their efforts.

At the national level, the report of the Center for American Progress poverty taskforce provides another example of what a British-style anti-poverty effort might look like in the U.S. context.²² Led by Angela Blackwell (the director of Policy/Link) and Peter Edelman (professor of law at Georgetown University), and directed by Mark Greenberg (then senior fellow at the Center for American Progress), this taskforce endorsed a goal of reducing poverty in the US in half, and identified a set of 12 specific policies to achieve that goal. Since the Task Force report was issued in 2007, their goal of cutting poverty in half has been picked up and endorsed by several other groups. A national campaign called “Half in Ten” has been formed to advocate for this goal, and a resolution endorsing the goal has been introduced – and passed – in the House of Representatives.

The British case also makes clear that having an appropriate and up-to-date measure of poverty is critical. This is a particularly salient issue for the US, which has an official poverty measure that is out-dated and that fails to adequately capture either families’ resources or their living costs. New York City developed its own improved poverty measure as part of its anti-poverty initiative. But not every jurisdiction will be able to do this, and local measures cannot replace a national poverty measure. So it is important that the US develop an improved poverty measure, along the lines of what was recommended by the National Academy of Sciences in its report on measuring poverty in 1995, and should set up a mechanism to review and update that measure on an ongoing basis.²¹ Steps in this direction are now underway, with the announcement that the Census Bureau plans to move forward with a supplemental poverty measure, which will be released alongside the official poverty measure, starting in September 2011.²²

Lessons about politics

Finally, the British case offers a cautionary tale with regard to the politics of reform. It is remarkable how little the British public knows about the anti-poverty reforms and their successes. Fearful of being seen as a party focused on welfare or benefits for the poor, the New Labour government did not herald many of its anti-poverty initiatives (but did publicize its efforts to crack down on welfare fraud and abuses, and to get recipients into work). The result was that it did not lose the all-important middle-class support but it also did not get much credit for its successes (and may even have undermined support for programs for the poor). Their experience suggests that reformers must carefully nurture public support, making the case for tackling child poverty, framing the issue in a way that elicits rather than undermines public support, publicizing the actions they are taking, and also making sure the public knows when they have been successful. In the US context, this might mean framing the issue in terms of investing in children or promoting opportunity.

CONCLUDING THOUGHTS

Strained public finances raise serious questions about the ability of both Britain and the US to fund expanded anti-poverty programs. The politics are also challenging, with conservative parties now wielding considerable influence in both countries. At the same time, however, the downturn in the economy means that the demand for

such programs is greater than ever. Moreover, as President Obama has argued, investments in such programs not only provide a safety net for those out of work but also help to stimulate the economy and create jobs. Thus, tough economic times do not mean turning our backs on the war on poverty. They do, however, make it all the more urgent for governments to spend public money wisely – and provide all the more reason for the US to learn from Britain’s war on poverty.

Endnotes

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9 Sure Start was a comprehensive area-based program for families with infants and toddlers in the lowest-income areas. Local programs had to offer some specific services (such as enhanced home visiting and the offer of a childcare place for families who wanted one) but local programs had a great deal of flexibility as to what other services to offer. For an overview of the program, see Naomi Eisenstadt (2007). “Foreword.” In *The National Evaluation of Sure Start: Does Area-Based Early Intervention Work?*, edited by Jay Belsky, Jacqueline Barnes and Edward Melhuish. Bristol: Policy Press.

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16 The current version of the Advanced EITC (AEITC) that allows qualifying taxpayers to receive part of the credit in each paycheck during the year was eliminated (starting in 2011) as part of the Education Jobs and Medicaid Assistance Act (P.L. 111-226) signed into law earlier this year. However, proposals also exist on how the Advanced EITC may be improved, rather than permanently eliminated (see April 2010 proposal from Elaine Maag, Tax Policy Center, as one such example).

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- 23 The National Academy of Sciences report is: Constance Citro and Robert Michael (1995). *Measuring Poverty: A New Approach*. Washington, DC: National Academy Press.
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