

A third of UK children in poverty, with rate set to rise

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Over the next four years, 37 percent of UK children will be living in relative poverty, according to the latest Institute for Fiscal Studies (IFS) report.

“Living Standards, Poverty and Inequality in the UK: 2017,” funded jointly by the Joseph Rowntree Foundation and the Economic and Social Research Council, predicts a 4 percent national increase in children in families living in poverty. It means a rise of 400,000 children in poverty in families with incomes of 60 percent or less of the median.

This will bring the total number of children living in poverty to a scandalous 5.2 million by 2022. This would be the highest percentage since records began in 1961, when relative child poverty stood at 13 percent.

The report defines relative poverty as families consisting of a couple with two children surviving on a weekly income after housing costs of £347 or below—a single person is measured poor on an income of £144.

The increase in the number of poor households is not because pensioners—usually the poorest—are living longer due to historical benefits of the welfare state. Pensioners have gone from the largest demographic group in poverty to the smallest, the report notes. Its findings underscore the fact that successive governments, Labour and Conservative, have turned the UK into a low-wage, cheap labour platform.

The largest group living in relative poverty now is the “working poor.” While children living in households where no one works are five times more likely to be living in poverty, the low-wage economy means that the greatest proportion of poor children now live in families with one wage earner.

In 2015-2016 more than two thirds of children in absolute poverty lived in working households.

A feature of the UK labour market has been the creation of 5 million low-paid and highly insecure jobs

in the gig economy, as well as zero hours contracts. Wages remain depressed; the median wage remains 11 percent lower than 20 years ago. And this is not expected to get any better.

According to Andrew Hood, senior research economist at the IFS and an author of the report: “Growth in average household incomes over the next few years is likely to be sluggish at best.

“If workers’ earnings grow as the OBR [Office for Budget Responsibility] expected ... median income is projected to rise by just 4 percent over the next four years. ... [T]he OBR have already indicated they now think that forecast was too optimistic.”

The report projects “very little income growth over the next two years” due to rising inflation, the fall in the value of real wages since the depreciation of sterling following the Brexit vote, cuts to working age benefits and the impact of benefit reforms.

It concludes that “eliminating persistent worklessness [not a likely outcome!] would reduce persistent poverty by less than half.”

When Theresa May first became Conservative Prime Minister in 2016, she promised “about managing families”:

“I know you’re working around the clock, I know you’re doing your best, and I know that sometimes life can be a struggle. ... The government I lead will be driven not by the interests of the privileged few, but by yours.”

Instead, the war on the poor has continued apace. The government is currently rolling out Universal Credit (UC), a benefit that merges all previous benefits into one, including working tax credit for low earners, child tax credit and housing benefit. In October, 610,000 claimants had transferred to UC, of which more than a third were in work.

The IFS estimates that 2.1 million in-work households will lose an average of £1,600 a year under this new benefit, while more than a million out of work households will lose an average of £2,300.

Government welfare reforms disproportionately penalise families with children. The report explains: “Average incomes and poverty rates miss the fact that different households can experience dramatically varying changes in income.”

Projections suggest that by 2020, a family with three children will lose £58.93 a week, while a family with five children faces a possible weekly loss of £90.98. This is because the benefit is limited to no more than two children.

UC claimants face a particularly bleak Christmas this year. Fully 67,000 employed claimants will receive no benefit for December, because “the season of goodwill” it is a long month with five pay days, which means their income from work will be too high to qualify, leaving many having to reapply.

Those claiming universal credit for the first time this week will get nothing until after the festive season, because of the six-week wait before the benefit kicks in. This will affect 60,000 households with more than 40,000 children, according to the Peabody Trust.

Claimants are already reporting great hardship under the new system, with growing indebtedness, having to resort to the use of food banks, and accruing massive rent arrears, leading to evictions and landlords refusing tenancies to UC claimants.

The Labour opposition under nominal left leader Jeremy Corbyn is not opposing UC in principle, merely calling for it to be paused for six months to iron out the difficulties. It was the Labour government of Tony Blair, with the backing of the trade unions, that helped pave the way for transforming the UK into a low-wage economy with the introduction of tax credits in the Tax Credits Act 2002. Supposedly designed to lift the poorest families out of poverty, tax credits acted as a wage subsidy paid for by other workers, enabling employers to continue paying low wages.

While the IFS report says that “income inequality is likely to increase over the next four years,” it has little to say about the income of the top 1 percent of the population, the stated reason being “it is hard to track how household incomes of the very richest have been changing.”

Though the report doesn’t say so, this is because the income and wealth of the top 1 percent is largely hidden in offshore tax havens, or squirrelled away in shell companies which pay no tax. Tax evasion by the very richest, as well as the companies they invest in, has reached monumental proportions, as revealed in the recent leak of the Paradise papers, and before that the Panama papers.

The IFS report offers no solution to child poverty other than to blame the poor for being workshy. It describes efforts to raise earnings in single wage families as “challenging,” bemoaning the fact that only 12 percent of the second adult in single wage households are looking for work. It warns that “increasing benefits [in one wage families] weakens the financial incentives for the second adult to find work.”

It is no secret to all who suffer under it that the benefit system is already designed to be punitive by driving people into low paying work. This blanket assertion that everyone who does not work can work—including mothers with young children, the sick, parents who have no means of paying for childcare, or who simply cannot find work—is a recipe for more of the same.



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