CHILD
POVERTY
ACTION
GROUP

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Dear Chancellor,

The spending review and child poverty

We write to you in the light of the Government's continued commitment to tackling child poverty, and the decisions it will be making in the forthcoming spending review.

We are sure you will have noted with interest the new projections released two weeks ago by the Institute for Fiscal Studies (IFS) for child poverty rates until 2020. According to the IFS's report, relative child poverty is set to rise by half a million children from 2010 to 2014, while absolute child poverty will increase by 700,000 over the same period. The report makes clear that it is government policies that are driving these alarming increases, despite the fact that current underlying economic conditions have a dampening effect on poverty rates.

As you and your government have set out on many occasions, growing up in poverty has a devastating effect on children. We know that poverty has a detrimental impact in the here and now, damaging childhoods and undermining well-being. In the longer term, children who grow up in poverty have poorer health and educational outcomes, both of which have an enduring effect on their life chances. Put simply, child poverty is a profound waste of human resources.

Beyond the human cost, however, child poverty clearly has a large financial cost for society at large. In 2008, academics made an extremely cautious estimate of the monetary costs of child poverty. They found that the state spends a significant amount trying to correct for the effects of child poverty during childhood, as well as forgoing future proceeds as a result of the lower employment rates of those who grow up in poverty.

Child Poverty Action Group has recently re-commissioned these figures to enable us to quantify more accurately the current medium and long term costs of failing to reduce child poverty. This analysis shows that, at a conservative estimate, child poverty today costs the country £29 billion a year. Of this, losses to the Treasury either as a result of increased spending or forgone revenues comprise £20.5 billion, while the additional £8.5 billion represents the losses to individuals as a result of lower future earnings.

Moreover, these costs naturally rise as the number of children in poverty increases. If child poverty were to rise to 3.4 million children as the IFS projects by 2020, the analysis we have commissioned suggests the costs to the country would increase to £35 billion a year, over £24 billion of which would be borne by the Treasury.

As you look to the medium term, we ask that you keep these figures in mind. They demonstrate quite clearly that policies which increase child poverty are nothing but a false economy. Likewise, the analysis shows that action to tackle child poverty is not a luxury we can only afford when times are good, but instead, is something that in the longer term would likely pay for itself.

In particular, we ask you to consider the impact that your decision last year to uprate most working age benefits at a below-average 1% for three years will have on future child poverty rates, and the costs that the country will subsequently incur as a result. As the government begins to prepare a new child poverty strategy, we hope that you will support children and families by prioritising them in your spending review.

We would be very happy to meet your ministers or officials to discuss our analysis further.

Yours sincerely

Alison Garnham
Chief Executive, Child Poverty Action Group

Cc: Rt Hon David Cameron, Rt Hon Nick Clegg, Rt Hon Danny Alexander, Rt Hon Iain Duncan Smith, Lord Freud, Steve Webb MP, Rt Hon Michael Gove, David Laws MP

fighting the injustice of poverty