Gordon Brown delivers CPAG's 50th Anniversary Lecture

On 11 November 2015, Gordon Brown **delivered CPAG's 50th Anniversary Lecture. The former Prime Minister and Chancellor spoke powerfully about the history of poverty in the UK and pointed to low pay and the falling value of children's benefits as important contemporary drivers of child poverty. In particular, he took aim at plans to cut tax credits, arguing that too much policy making is driven by fictions about the nature of poverty in this country. In the place of eight widespread myths about poverty he offered eight 'poverty facts' of which future policy ought to take note. What follows is an edited transcript of the speech.**

"…THEY [THE TREASURY] have made a fundamental mistake because, in my view… the myths about what Britain is have dominated the policy thinking of people who know little about the conditions which people in their own communities are facing, as against the facts of the society in which we now live.

Fact one is that the majority of the poor in Britain today are working families. The majority of poor are not the unemployed, they are not work-shy, they are not chaotic families, the majority of poor are in working families. And despite the fact that the public has been led to believe that 40 per cent of all welfare state expenditure… goes to the unemployed, the true figure is 1.5 per cent… and 8 per cent if you include the disabled and single-parent families who are not registered for work. So fiction one… that somehow the majority of the poor in Britain are not working.

Fact two is that two-thirds of [poor] children… are in working families. And 75 per cent are in families who work all hours to try to make ends meet. And so fiction two is that the families in Britain who are trying to keep their children out of poverty are either not working, or they are not working the hours that are necessary to get their children out of poverty. In fact, all the evidence is that… if they could do so, even at a cost to their health, they would work longer hours to make ends meet for children.

And poverty fact three is this: that the biggest group of families in poverty is what some people call the 'traditional family'. The single-earner couples. The father going out to work and the mother at home to take care of the children. Advised that this is the best way to bring up their children and finding now that a single wage cannot keep them out of poverty. So again, fiction three is that somehow the poor are chaotic families, not stable families, when actually the biggest group of people in poverty who are families are 'traditional' families.

Poverty fact four… is that the fastest growing group of the working poor in our country are what you call the 'millennials' generation. The new poverty generation. Young couples in their twenties who are not seeing wage rises, but wages stagnating… who are seeing rising rents or rising costs of mortgages, who are now being faced with tax credit cuts, and the minute they have children they are thrust into poverty. And if you look at the wages of people in their twenties, 30 per cent of men earn below the voluntary living wage, 35 per cent of women, figures that have gone from 16 per cent to 30 per cent and 20 per cent to 35 per cent only in the last five years.

So here is another myth. That globalisation and the promise of globalisation is something that is being honoured under this government. If you work hard, if you're aspirational, if you have got a get-up-and-go attitude, if you do everything that is asked of you, you cannot be guaranteed that you will get on in the Britain that we live in today.

And then poverty fact five is what has happened to child benefit. Child benefit is now going to be worth less than 10 per cent of the cost of bringing up a child by… 2020. Just think about the figures. Child benefit was £20.30 in 2010. Even if the Tories do something to make it better, after all the freezes – the three freezes, the 1 per cent rise and then the two freezes to come – child benefit is likely… over 10 years to have risen from £20.30 for the first child to only £21.90. £1.60 more over 10 years. Sixteen pence on average a year. And for the second child it's even worse: £13.40 to £14.45; one pound and five pence by 2020; over a 10-year period less than eight or nine pence a year for a child.

So the value of child benefit is dropping by 25 per cent… And the myth is… somehow child benefit is so great that people are abusing the system as a result of it, when child benefit today cannot… meet… even a fraction of the cost of raising a child.

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And then, poverty fact six. And that is that low pay is now the biggest cause of poverty in our country. And the living wage movement has done us a great service by reminding us just how many people, six million people, are now below the living wage in this country… But there's one thing that we should remember when we're looking at poor families: a living wage on its own will not relieve many families of the poverty that they have. Because the living wage, like the minimum wage, will not be able to take full account of the varying circumstances of individual families.

So Paul Gregg at Bath University, one of the great independent experts, like the Resolution Foundation, like John Hills at the LSE, the Institute for Fiscal Studies… estimates that even if the living wage was brought up to £12 for a family with two children, it would not allow them to escape poverty if tax credits were removed. Even if it was brought up to £14 per hour for a family with three children, it would not allow them to escape poverty... The living wage has to go side by side with decent child benefits and child tax credits.

And that brings me to the next point; that child tax credits, aligned with child benefit, are the most cost-effective way of taking children out of poverty. And I've looked, as everyone here who is interested in these issues will have looked, at the citizens' income, negative income tax, the tax allowance and… find that they are never as cost-effective as child benefit and child tax credits if your aim is to take children out of… poverty.

And that brings me to the final fact, and the fact of the welfare state. The world is not divided between the contributors and the claimants; the scroungers and the strivers. At various points in all our lives, during the lifecycle, we will depend, because of the risks we take, because of the situations we find, on the welfare state. And most of the expenditure is on health, on education and on pensions. And the idea that you can create this world, as the government now says, [where] there are taxpayers on the one hand and the beneficiaries on the other, as though these are two static groups who never change, when 50 per cent of children are at one point in poverty over a 10-year cycle… is simply untrue.

And that is why I say that when you come to tax credit reforms – reforms that have two purposes; one to reduce the child element which means there is more child poverty, and the second to raise the taper so there's less work incentive – when you come to these reforms they are anti-work, anti-family, anti-children, anti-fairness, anti-women and, in my view, anti-British.

And how have we got to this point? Where the myths are believed and the facts are still to be explained. Go back to the Victorian age, and Booth and Rowntree, the greatest surveyors of poverty… They were right to discover in York and in London that the biggest cause of poverty around the turn of the century was low pay… And they highlighted that people were most likely to be in poverty when they [were] children, or when they themselves were parents of children or when they were pensioners.

And then by the 1930s, things had changed quite fundamentally because unemployment had become the biggest cause of poverty. When Booth and Rowntree wrote, in the 1890s and the 1900s, 50 per cent or more of poverty was caused by low pay. By the 1930s, 45 per cent of poverty was unemployment, 10 per cent was low pay, the rest of course was pensioners and disabled people who did not have a recognised safety net. By 1951, as a result of the creation of the welfare state, and another survey done in York by Rowntree and Lavers, they probably underestimated the extent of poverty but they did show the causes of change. If there was full employment, as they showed, and if there was rising wages, and if there was [an] expanding social safety net, then people could escape poverty.

And the problem is that in the last fifty years, either we have not had full employment, nor have we had rising wages, nor have we had an expanding safety net…

So the first problem that any government has had to deal with in the mid and late twentieth century and into the twenty-first century is worklessness and unemployment, and… in 1997 when we came to power we saw that as the biggest problem. And in those 13 years we created three million new jobs, 26 million to 29 million people, and… we managed to have a New Deal for young people, a New Deal for the long-term unemployed, a New Deal… for the disabled people who wanted to get back into work and needed help to do so, and a New Deal that was particularly unique for lone parents… with the result… that the employment figures for single parents went up from 40 per cent to nearly 60 per cent. It's now above 60 per cent and the poverty rate of single parents, which was 50 per cent… was reduced to 25 per cent...

And… even though I would argue today that there is still a problem in our economy – that the trend rate of growth is not high enough, there are still too many people outside the labour market who want to work and there's a history of under-employment… and that but for self-employed, the employment statistics would not look good…

… Political action was able to reduce unemployment and when it came to the recession in Britain in 2008, unemployment never went above 8 per cent while it went to 10 per cent and more in America and is still 10 per cent and above in Europe. While people remember the 1980s for mass unemployment in what was a less severe recession… in the global economy, people do not talk of 2008 to 2010 as a period of mass unemployment… In these periods because of action that we took, [of] which in my view I don't think there's been a proper understanding, we managed to keep unemployment at half the level it was in previous recessions…

And when it comes to pensions, that shows the value of creating a pension tax credit. When we came to power… 35 per cent of pensioners were in relative poverty… By the time we left power it was 11 per cent. It should have been lower. But that was the biggest impact that has been seen in a century on the problem of pensioner poverty. And it came as a result not just of people now having savings that are now in occupational pensions and [being] able to recoup them when they retire, but primarily in the period from 1997 to 2010 because of the pension tax credit ceasing to penalise pensioners for having savings… the pension credit which was claimed by several million pensioners and took two million pensioners out of poverty.

So why then… is poverty now about to rise? Why do the Resolution Foundation… say that poverty… will rise from three million families to four million families by 2020? Why do they also say that poverty amongst children will rise… from 2.3 million three years ago, to 2.9 million next year, to potentially 3.9 million in 2020?

Why, as a result of all the changes that we made in tackling the biggest causes of poverty – unemployment and pensions – have we got so much poverty?

Well of course child benefit has been held back as I described, and families are pushed into poverty due to the absence of proper provision through child benefit for poverty and it's a scandal… But when it comes down to it, the majority of the increased poverty that I'm describing is going to be in working households…

And that brings us straight to this problem of low pay. The minimum wage… has lost value in real terms even though it was raised last year and will be raised in future years. That six million people are probably in jobs that pay less than the voluntary living wage… that half the low paid are in jobs that are in social care, hospitality and retail, jobs that are traditionally low pay.

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But this is not a cyclical problem and it is not a post-recession problem. It's a long-term problem of an economy where we've seen a shrinking of middle-income jobs, where we've seen traditional manufacturing jobs go, where we've been exposed to a huge amount of global competition, and where the technological change underway has destroyed jobs from bank tellers… to boiler makers…

And what people are predicting, and this is what the government should be addressing, is that if 20 to 21 per cent of the population in work are in these low-paid occupations now, that figure could rise to 25 per cent or even… 30 per cent in the next 15 to 20 years. In other words, we have a structural problem that has to be dealt with and cannot be dealt with simply by raising the minimum wage to £9 per hour. And when you look at what will happen in 2020 when the minimum wage is raised and other reforms go ahead, then more people will be in poverty and

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not less. And while the value of the minimum wage rises to £4 billion, the total cost of the social security changes is £13 billion taken out of the incomes of the poorest, or some of the poorest, people in the land.

So what do you do about this problem?… What are the alternatives?

I said at the beginning: negative income tax. The problem with negative income tax is it's done on a person to person basis and not on a household basis so the cost of operating it, before you deal with any of the other questions, is incredibly high and you'd have to spend so much more money to achieve the same results that you do with tax credits.

Then take personal allowances. Now it's clear that the majority of the benefit of personal allowances go to people in the top half of the earnings range… Despite all the rhetoric, it is helping people who are much wealthier and it is not the best use of money for the future.

Citizens' income is much appealed to and is something that on the surface is incredibly attractive... But the problem is that it is either too low to be able to reduce poverty or it's too high and therefore it is unaffordable.

And then you go back to the most cost-effective way of reducing family poverty – if that is your aim. Your most cost-effective way is tax credits. And it then comes back to this central issue that I raised earlier on. How do we actually see the welfare state of Britain in the future?

Now people may not like the term welfare state anymore, but the welfare state is pensions… The welfare state is the health service. The biggest expenditure – £4,000 per family per year – is on the National Health Service, and I see no desire on people's part to stop the sharing of risks and resources that makes us committed to a universal health service. Education – £2,600 per family per year… And again there is no desire…

So we need to reframe the debate about the future of our society, about the benefits of the sharing of risks and resources. About the fact that the poverty that exists in our country is an affront to our values of encouraging work and responsibility, encouraging independence, encouraging thrift and savings, and encouraging compassion to children when they are most in need…

The Child Poverty Action Group which was set up in 1965 was under no illusions. It was, and remains, a pressure group. But it is a pressure group that is targeted on changing policy in government. And the issue then is what kind of government is going to be able to respond to the challenges of child poverty and the new challenges of low pay, a proportion of our economy that needs to be dealt with by new skills, by training, by education, by promoting the best high tech, high value, high quality jobs… And when you look at what is happening in Britain today, it is obvious and normal that if you lose two elections a party will want to return to first principles. It will want to emphasise that power is not for its own sake, power is to be based on pursuing principles. They will want to emphasise that politics is not just the art of the possible, it is about making the desirable possible…

And it's about, in the end, hope, whether you can give people hope that something can change in the future… It's said by a French philosopher that you can survive for 40 days without [food], for eight days without [water], eight minutes without air, but you cannot survive for a second without hope…

Hope cannot be a wing and a prayer, it cannot just be 'pie in the sky'. It cannot be wishful thinking that perhaps someday we might be able to do something about child poverty. It cannot be sunny but faceless optimism that we can do something about it, but we don't know what to do. Hope – and this is true for political parties as well as pressure groups – must be based on the realistic expectation that we can actually change things and do something about the problems that we face.

And hope requires people to be mobilised for that change, it requires people to believe in that change, it requires the policies that will bring about that change, it requires people to campaign… to make these policies popular to the people who will then themselves demand that change.

And what we have got to think of is 50 years when the Child Poverty Action Group has been a force for change in our society, 50 years when it has given hope to people that something can and must change. But the next 50 years must be the 50 years when we are determined that there is not just a realistic expectation that we can bring about the eradication of child poverty – that things that seem impossible can be done, that every child should have the best start in life – it is not just hope… it is demanding and making sure that the aims that every child has the best possible start in life and no child be left behind are achieved in our generation. ”