

Independent Review on Poverty and Life Chances

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Early years and life chances

Which aspects of children's early years are the most important determinants of positive outcomes and good life chances? What single aspect of early childhood has the greatest influence?

How can early years support, from parents, children's services and the community best deliver positive outcomes for the most disadvantaged children and their families?

IFS research based on the Millennium Cohort Study (see www.jrf.org.uk/sites/files/jrf/poorer-children-education-full.pdf) suggests that differences in the home learning environment experienced by children from advantaged and disadvantaged families is one of the most important explanations for why children from disadvantaged backgrounds tend to score worse on cognitive tests and also exhibit poorer socio-emotional development than children from more advantaged backgrounds. Of particular importance is the frequency with which parents read to their children. While this is not causal evidence, it suggests that policies which encourage poor parents to read with their children on a more regular basis *may* reduce the socio-economic gap in cognitive and socio-emotional development in the early years by a small amount. It won't eliminate the gap, however, as one of the key messages of this work is the large proportion of the socio-economic variation in cognitive and socio-emotional development that remains unexplained, or appears directly related to other aspects of family background (such as mother's age and family size) that are not mediated through the rich set of factors included in our model.

Interestingly, this study – as well as one based on the Avon Longitudinal Study of Parents and Children as part of the same research project – does not find any effect of childcare attendance on children's cognitive or behavioural development. That is not to say that subsidised childcare provision for disadvantaged children is not important; more likely, it is simply that the datasets available to us did not include sufficiently rich measures of childcare quality to identify the kind of positive effects seen in the EPPE study.

To date, the vast majority of parenting interventions have tended to focus on the early years, and have tended to be high intensity, high cost interventions targeted on the families most in need (e.g. the Family Nurse Partnership and Incredible Years Parenting programmes). (Sure Start Children's Centres are an obvious exception.) It is certainly these types of interventions for which we have the strongest quantitative evidence of positive long-term effects and encouraging cost-benefit analyses (although mostly from US programmes such as HeadStart and the Perry Pre-School Project). While such ventures are often highly successful at improving outcomes for a small number of the most disadvantaged children, educational disadvantage affects a much larger number of children from low income families, but with lower intensity than those at the extreme, and it may be that policy needs to focus more on helping these groups. At this stage, it is not very clear what works (and is cost-effective) on a much larger scale, suggesting that some pilot studies may be necessary to start building a more solid evidence base. Furthermore, theory and evidence suggests that early investments will not be productive unless they are followed up by later investments. In other words, it is not optimal to load all investments into the early years and to neglect later stages of development.

Family environment

In what ways do family and the home environment affect children's life chances?

What role can the government play in supporting parents to ensure children grow up in a home environment which allows them to get the most out of their schooling?

What role do family earnings and income play in children's outcomes and life chances?

There is a wealth of robust quantitative evidence available suggesting that increasing family income *causes* improvements in children's cognitive and behavioural outcomes, and consequently their life chances (see, for example, www.ifs.org.uk/docs/methodology.pdf). However, given the current economic climate, it is important to emphasise that income is not the only thing that matters. For example, the EPPE study concludes that "for all children, the quality of the home learning environment is more important for intellectual and social development than parental occupation, education or income. What parents do is more important than who parents are" (source: www.education.gov.uk/research/data/uploadfiles/SSU_FR_2004_01.pdf). As discussed above, our own research has suggested that the environment in which children are raised – particularly the early home learning environment – has strong implications for their cognitive and socio-emotional development in early childhood. Having said this, however, it is important to understand the sources of richer home learning environments provided by more advantaged families, and whether it is possible to change such home learning environments without also changing family income and circumstances.

Other IFS research carried out as part of the same project also highlighted a number of other factors which may be worthy of policy attention in the quest to improve life chances amongst children from the most disadvantaged backgrounds. For example, work based on the Longitudinal Study of Young People in England (www.ifs.org.uk/wps/wp1015.pdf) suggested a key role for parent and child attitudes and aspirations towards education in explaining socio-economic differences in GCSE attainment. However, it is important to emphasise that the notion of an "aspirations deficit" is not entirely borne out by our results. While aspirations for higher education are considerably lower amongst young people from disadvantaged backgrounds, they are high across the board; that is, more young people say that they would like to go to university than are, in reality, likely to do so. As such, more careful investigation – preferably including some pilot studies – is probably required before policy conclusions can be made on the basis of such results.

Encouragingly, however, any action that improves children's cognitive test scores now is also likely to have positive implications for the next generation. Recent IFS research based on the children of the British Cohort Study (www.ifs.org.uk/wps/wp1016.pdf) highlights a key *direct* role for parental ability (over and above educational qualifications, and routes through which we might expect parental ability to affect child development, such as the home learning environment) in shaping the cognitive test scores of their children.

Poverty and life chances and how they are measured

What constitutes child poverty in modern Britain?

How can our measures of child poverty be reformed to better focus policy development and investment on delivering positive outcomes and improved life chances for children?

What are the strong predictors of children's life chances which might be included in any new measure of child poverty?

It does not feel appropriate for us to say what constitutes child poverty in modern Britain. The most widely used measure of child poverty identifies children as poor if they live in a household whose equivalised income is below 60% of the contemporary median before housing costs (BHC) have been deducted.

This is not the only available indicator of material living standards, and several studies have suggested that equivalised income may give a misleading picture of living standards. In particular, in recent work, IFS researchers examined the crossover between low measured equivalised incomes and other measures of living standards (such as family expenditure and material deprivation), e.g.

<http://www.ifs.org.uk/publications/4523>. This work shows that children from households with the lowest incomes do not have the lowest average living standards. Instead, in general, average living standards first fall as income rises, and then rise, creating a 'U-shaped' profile between income and other measures of living standards. It turns out that there is thus little difference in average hardship rates and living standards between children with household incomes below 50% of median income and those with household income between 50% and 60% of median income. This work also shows that self-employed families with children have higher living standards, on average, than employed families with children with similar incomes, who in turn have higher living standards than workless families with children with similar incomes.

Alternative ways of assessing which children live in households with the least financial resources (or lowest material living standards) include defining relative poverty using spending rather than income, or measuring material deprivation or a similar concept (perhaps in conjunction with income), or measuring income over a longer period. But all such measures conceive of poverty as being a lack of financial resources (or low material living standards). We have previously argued that an exclusive focus on income-based measures of poverty may skew the policy response towards reforms that have immediate and predictable impacts on household incomes – such as tax and benefit changes – rather than those that most cost-effectively improve children's quality of life or reduce the risk of intergenerational transmission of poverty – such as improvements to education; the same would also be true of other measures of poverty which try to capture a lack of financial resources (or low material living standards). If the government wanted to focus policy-makers' attention on delivering positive outcomes and improved life chances for children, then it would make sense for those outcomes to be measured and targeted directly. For example, an obvious alternative (or supplementary) measure would be a measure of educational inequality, or the socio-economic gradient in educational outcomes. However, to consider the extent to which any changes in educational inequality affect later life outcomes, it would still be necessary to measure living standards directly using measures such as equivalised income, spending or material deprivation. On the other hand, a wide set of targets may run the risk of reducing verifiability and accountability, so any expansion of the scope of the targets should be accompanied by a strengthening in the process of independent verification of the child poverty strategy and progress towards meeting the targets.

Other views/information

While this review is clearly most concerned with addressing socio-economic differences in children's life chances, it is worth noting that there are many other dimensions of educational disadvantage that should be addressed, some of which are much easier to tackle than the big issue of socio-economic disadvantage.

One such issue is the extent to which children's educational attainment is related to the month in which they are born and, consequently, the age at which they start school and sit the national achievement tests. Previous IFS research (www.ifs.org.uk/wps/wp1006.pdf) has shown that these effects persist right up until age 16, with young people born in August 5.8 percentage points (just over 10 per cent) less likely to reach the government's target of 5 GCSEs at grades A*C than young people born in September. This has potentially wide-ranging consequences in terms of post-compulsory schooling and higher education participation, and consequent labour market performance. (Indeed, we see that August borns are 1.5 percentage points (4.5 per cent) less likely to go to university than September borns.)

Our research has shown that these discrepancies arise largely as a result of differences in the age at which children sit the tests (rather than differences in the age at which children start school, or differences in the amount of schooling that some children receive prior to the tests). Policy thus needs to address this issue by improving the flexibility of assessments. One simple way of doing this would be to age-normalise exam results so that students are compared to others of exactly the same age. This would ensure that students are assessed on their true ability, rather than on the luck of their month of birth draw. This is particularly important at age 16, when exam results determine who qualifies for post-compulsory education. If relatively young children on the margin are not forced to drop out and are suitably supported while in school, it is clear that they will perform as well as their older counterparts with the same overall ability (as our results show that they catch up with their peers over time). An alternative way of implementing this policy is to have multiple examination periods and for children to sit for such exams when ready.