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Save the Children

MEASURING SEVERE CHILD POVERTY IN THE UK

Policy briefing

SUMMARY

Save the Children is outraged that children and families in the UK are living in severe poverty. Our latest report, *Measuring Severe Child Poverty in the UK*, commissioned from the New Policy Institute, reveals that 1.7 million children across the UK live in severe poverty – around 13% of all UK children.

The report highlights that the number of children living in severe poverty has risen over the period 2004/05–2007/08, from 11% to 13% of all children (we estimate that in 2009 the number of children living in severe poverty remained at 1.7 million). This increase has occurred against a backdrop of rising levels of overall child poverty.

This briefing outlines the key findings of the report and sets out why the UK government needs to refocus its efforts on the poorest children in the UK.

Living in severe poverty means living on less than £12,220 a year (for a couple with one child). This amount leaves families around £113 a week short of what they need to cover food, electricity and gas, phones, other bills, clothes, washing, transport and healthcare, not to mention furnishings, activities for children and other essential items.¹ Children and their parents are missing out on everyday essentials such as food and clothing. They cannot afford things that most families take for granted, such as celebrating a birthday or having a short family holiday.

The report also highlights the main risk factors for severe child poverty. In particular, there remains a relatively high likelihood of severe poverty among children in workless households. Children in workless households are *more likely* to be living in severe poverty than in non-severe poverty.²

This analysis reinforces a clear message – severe child poverty is a major concern and further action is needed to tackle it. Current government policy and support is clearly not reaching the children that need help the most. Further, the goal of eradicating child poverty once and for all will not be achieved unless urgent attention is given to meeting the needs of the poorest children and their families.

As we approach the deadline for the interim goal of halving child poverty by 2010, we find that the level of severe child poverty is actually increasing.

Every child deserves a fair chance in life; all children are born equal and none should be left behind. It is unacceptable that any child should grow up in severe poverty in the UK, a developed country with more than sufficient resources to eradicate child poverty. To tackle severe child poverty, Save the Children is calling for action in the following areas:

1. Remove barriers to parental employment.
2. Make sure the poorest don't pay the price for the economic crisis.
3. Make the tax and benefits system work better for the poorest families.
4. Make sure the poorest don't pay more for goods and services.
5. Break the link between poverty and educational achievement.

Severe child poverty in the UK

The report highlights a lack of progress in reducing the number of children living in severe poverty, and thus severe child poverty remains a major concern.

Save the Children is outraged that children and families in the UK are living in severe poverty. We believe that government policy must urgently address the needs of those children and families experiencing the most severe poverty, alongside those closest to the poverty line. This is essential if the aim of eradicating child poverty once and for all is to be met.

Measuring Severe Child Poverty in the UK is the latest report in a series commissioned by Save the Children on this issue.³ Using the most up-to-date statistics, the report, by the New Policy Institute, sets out the overall picture of severe child poverty across the UK. It is based on an analysis of trend data on the levels of severe child poverty over a four-year period, at UK and devolved levels. In addition, data from a three-year period from 2005/06 to 2007/08 was used to provide three-year rolling averages (so that the sample size is sufficient to analyse severe poverty in detail), to look at which groups of children are most at risk of living in severe poverty.

What is severe child poverty?

The negative effects that growing up in poverty can have on children are well documented. But not all children living in poverty have the same experience. For some, it is more severe – a deeper, more intense level of poverty.

There is currently no official measure of severe child poverty. Save the Children believes that there is a need to measure the depth of poverty that children and their families experience. This is critical to understanding the intensity of poverty. We believe that severe child poverty is best assessed using a combined income and material deprivation measure. Using this combined measure gives a fuller and richer picture of poverty in the UK. The data is taken from the Family Resources Survey, published by the Department for Work and Pensions.

According to our definition, children are living in severe poverty if they live in...

“... a household with an income of below 50 per cent of the median (after housing costs), and where both adults and children lack at least one basic necessity, and either adults or children or both groups lack at least two basic necessities.”⁴

This means that families living in severe poverty make ends meet on less than £12,220 a year (for a couple with one child). That equates to less than £33 per day to cover all basic essentials such as food, utility bills and clothing. In addition, children and parents are missing out on the things that many families take for granted, such as celebrating a birthday or taking a week’s holiday away from home.⁵

Key findings

Severe child poverty

Our report reveals that 1.7 million children were living in severe poverty in 2007/08 across the UK. That means that around two-fifths of all children living in poverty in the UK were living in severe poverty. The proportion of children living in severe poverty increased from 11% of all UK children in 2004/05 to 13% in 2007/08. This increase has occurred against a backdrop of rising levels of child poverty.

A snapshot across the UK

The proportion of children living in severe poverty is fairly similar across the four countries of the UK. In 2007/08, 13% (1.5 million) of children in England were living in severe poverty, 15% (96,000) in Wales, 10% (43,000) in Northern Ireland and 9% (95,000) in Scotland. The year-on-year trend shows that severe poverty has increased in England and Wales since 2004/05. There has been no change in the number of children living in severe poverty in Northern Ireland and Scotland. This distribution of severe poverty across the UK is similar to the distribution of non-severe child poverty.

There is a relatively high likelihood of severe poverty among children living in London. London, as a region, has the highest proportion of children living in severe poverty (around 20%) and accounts for around one-fifth of all children living in severe poverty in the UK.

Risk factors

The risk factors associated with child poverty are heightened for those living in severe poverty. We highlighted the main risk factors in our 2007 report, *Severe Child Poverty in the UK*. The latest analysis illustrates that these risk factors remain the same. The following groups of children are more likely to be living in severe poverty:

- children in workless households
- those whose mothers (or fathers in the case of single fathers) have low educational attainment
- children in single-parent households
- those living in socially rented accommodation (that is rented housing owned and managed by local authorities or registered social landlords)
- children in families with disabled adult(s)
- children from minority ethnic groups
- children in large families of four or more children
- those with young parents (under 25)
- children whose parents have no savings/assets
- younger children (under 5).

For some of these groups, they are at least as likely to live in severe poverty as just below the poverty line (non-severe). To highlight the point, around two-fifths of all children who live in poverty live in severe poverty. Yet:

- half of children in poverty in single-parent households were living in severe poverty
- half of children in poverty who live in rented accommodation were living in severe poverty
- half of children in poverty whose parents have no qualifications were living in severe poverty.

Some of these risk factors are discussed in more detail below.

I Adults who are out of work

The risk of severe poverty was highest for children in families where the adults were not working. Around three-fifths (60%) of children in families where the adults were unemployed, and two-fifths (40%) of those in families where the adults were otherwise workless (i.e. claiming Incapacity Benefit or Income Support), were living in severe poverty.

In fact, *children in workless households are more likely to be living in severe poverty than in non-severe poverty*. Over half of all children living in severe poverty were in families where no adults work. Half of all children in families claiming Jobseeker's Allowance were living in severe poverty. Therefore, while the majority of children living in non-severe poverty are in working households, the majority of those living in severe poverty are in workless households.

The report's findings illustrate that the stronger the connection to the labour market, the lesser the risk of severe child poverty. In families where all adults are in work, the proportion of children in severe poverty is almost zero, whereas in unemployed households, around 60% of children are living in severe poverty. However, it should be noted that while the risk of living in severe poverty is relatively low for children whose parents work part-time (either one adult works and one does not, or both adults work part-time), 10% of children in these households live in severe poverty.

These findings have important policy implications. As the majority of children in severe poverty live in workless households, priority must be given to removing barriers to employment for parents living in poverty. Where parents are able to work, having a parent in work is a key route out of poverty. Parents can face a number of barriers to entering and remaining in work. These include: managing the transition to work (the 'low pay, no pay cycle', where people are moving from unemployment into low-paid work, and back again); balancing caring responsibilities with work (a particular issue for single parents); and the mismatch between their skills and the availability of appropriate work. In addition, the out-of-work benefits that most families receive while unemployed are very low, leaving families living well below the poverty line. Any household relying on out-of-work benefits over a sustained period struggles to make ends meet.

2 Educational inequalities

Just over one-quarter (28%) of children whose mother (or father for children living in single-parent families where the parent is the father) has no qualifications were living in severe poverty. Half of children in poverty whose parents have no qualifications were living in severe poverty. The links between poor educational attainment and child poverty are well documented. Therefore, it is no surprise that education is a key driver of the likelihood of experiencing severe poverty.

3 Single parents

Single-parent families face a significantly higher risk of living in poverty than couple families. They often encounter particular barriers to both finding and remaining in work. Moreover, single-parent families are more at risk of severe poverty. *A quarter of children in single-parent households were living in severe poverty – more than four times the rate for children in couple households.* Almost 50% of children living in severe poverty were in single-parent families. Overall, around 40% of children in poverty lived with single parents.

4 Disability

Factors associated with disability – such as the extra costs associated with managing particular disability or illness, higher costs of living and costs of caring – may cause or exacerbate the poverty experienced by individuals and families. *Children in households with a disabled adult were almost twice as likely to be living in severe poverty as those in a household with no disabled adult.*

Around 1 in 4 children in severe poverty live with a disabled adult. The disability of an adult in the household has a greater effect on the risk of severe poverty than the disability of a child. There is a greater risk of being in non-severe poverty than severe poverty in households where there is a disabled child.

5 Ethnicity

The risk of severe poverty varies enormously by ethnicity (although sample sizes for some groups are quite small). Around one-third of children in Bangladeshi or Pakistani households live in severe poverty, as do a similar proportion of children in black African households. Pakistani, Bangladeshi, black Caribbean and black African children are more likely to be living in severe poverty than in non-severe poverty. Although white British children make up the majority of children in severe poverty (over 70%), Pakistani, Bangladeshi and black African children are around three times as likely to be living in severe poverty as white children.

6 Other risk factors

The report highlights a number of other risk factors:

- *Children whose parents have no savings/assets.* Around 25% of children in households with no savings were living in severe poverty. Almost three-quarters of children in severe poverty lived in families with no savings at all.
- *Tenure: children in rented accommodation, whether local authority, housing association or private rental, were far more likely to be living in severe poverty than those in owner-occupied accommodation.*
- *Children who live in large families (of four or more children).* Around 25% of children in families of four or more were living in severe poverty, compared to between 10% and 15% in other families.
- *Children whose parents are young (aged under 25) are more likely to be living in severe poverty than in non-severe poverty.* Around 35% of children whose head of household is aged under 25 were living in severe poverty. The risks of both severe and non-severe poverty decline as the parents' age increases.
- *Younger children are slightly more likely to be living in severe poverty than older children.* Around 15% of children aged under 5 were living in severe poverty (compared to around 10% for those aged 5 to 9 or 10 to 14). Around half of children living in severe poverty were aged under 10 and half were over 10.

The impact of the recession

The recession has had a devastating effect on children in poverty – around 130,000 more children are in workless households today, and the number of households where all adults are working has fallen by around 250,000. The New Policy Institute suggests that the recession will have pushed a further 100,000 children into severe poverty; however, changes in child benefit and tax credits during this period are likely to have cancelled out the impact of the recession on the numbers of children living in severe poverty. It is therefore expected that severe child poverty in 2009/10 will remain at a level similar to the 2007/08 figure.

The economy is expected to return to growth early in 2010, but unemployment is not expected to peak until later in 2010 or perhaps even 2011.⁶ Because children living in workless households are more likely to be living in severe poverty, we are concerned that, as unemployment remains high, so will the numbers of children living in severe poverty.

Conclusions and recommendations

This analysis reinforces a clear message – severe child poverty remains a significant concern, and urgent action is needed to tackle it. Due to the deeper, more intense nature of severe poverty, it is likely that it will be more costly per child to eradicate child poverty by 2020 if the extent of severe child poverty remains at current levels.

Our report, *Measuring Severe Child Poverty in the UK*, also emphasises the need to ensure that measures to tackle severe child poverty are targeted at those families most at risk. Policy and resources to tackle child poverty must be designed and delivered with the most vulnerable in mind.

Save the Children welcomes the government's commitment to eradicating child poverty by 2020 and making this commitment a legal requirement through the Child Poverty Bill. However, we are concerned that this goal will not be achieved unless urgent attention is given to meeting the needs of the poorest children and their families. 2010 marks the half-way point on the road to ending child poverty. Yet, despite some progress, child poverty and severe child poverty is increasing.

Tackling severe child poverty requires action in a number of policy areas. Currently severe child poverty is not an explicit focus of policy, although the government's emphasis on welfare to work seeks to target many of those workless families in which there is severe child poverty. Save the Children believes explicit focus must be placed on supporting those experiencing the most severe poverty. The child poverty strategies developed as a result of the forthcoming Child Poverty Bill should include a strong focus on severe child poverty, and those groups of children who are particularly at risk of living in severe poverty. Save the Children demands that immediate action is taken in a number of policy areas.

To tackle severe child poverty, Save the Children is calling for action in the following areas:

1) Remove barriers to parental employment

As most children living in severe poverty are in workless households, priority should be given to removing barriers to employment for parents living in poverty. Key measures include:

- Increasing the availability of childcare by meeting 100% of the cost of childcare for parents on working tax credit, and introducing free childcare for parents not in work who wish to train.
- Doing more to support parents who wish to work in part-time jobs, specifically by raising the earned income level at which parents can claim full benefits.
- Providing more training opportunities for parents who need to boost their skills.
- Supporting innovative approaches to job creation in deprived communities.

2) Make sure the poorest don't pay the price for the economic crisis

As the government seeks to tackle the fiscal deficit, it is vital that changes to the tax and benefits system do not adversely affect families on the lowest incomes, and that services that are highly valued by low-income families are protected. Key measures include:

- Not raising the level of VAT beyond 17.5%.
- Ensuring that any changes to thresholds for payments of tax credits protect and promote the income levels of those living in severe poverty.
- Protecting services such as Sure Start, and ensuring that they focus on supporting families living in poverty and that they reduce inequalities.

3) Make the tax and benefits system work better for the poorest families

Key measures include:

- Directing more resources to the poorest families through Child Benefit.
- Taking significant steps alongside local authorities to ensure that all those who are entitled to benefits and tax credits apply for them.

4) End the poverty premium and make sure the poorest don't pay more for goods and services

Key measures include:

- Supporting families with the cost of fuel.
- Supporting families to avoid crippling high-interest debt.

5) Break the link between poverty and educational achievement

Key measures include:

- Helping families in severe poverty to support their children's education.
- Making sure that schools are incentivised to raise the attainment of the poorest children.
- Making sure that school funding targets the poorest children.

For further details about our advocacy work, please contact Flora Alexander, Westminster Parliamentary Officer: f.alexander@savethechildren.org.uk or 020 7012 6689.

For further details of the research report produced by the New Policy Institute, please contact Graham Whitham, UK Poverty Policy Adviser: g.whitham@savethechildren.org.uk or 0161 249 5135.

Notes

¹ Based on the Minimum Income Calculator developed by Loughborough and York universities and funded by the Joseph Rowntree Foundation. This estimates that a family of two adults and one child (secondary school age) needs a minimum of £348 per week to cover all outgoings after paying rent. www.minimumincome.org.uk/ accessed 21 January 2010.

² Non-severe poverty refers to those children living below the 60% median income line (the poverty line) but who do not fall into the group of children in severe poverty (i.e. the 50% median plus material deprivation measure).

³ *Britain's Poorest Children* (2003), *Britain's Poorest Children Revisited* (2005) and *Severe Child Poverty in the UK* (2007), Save the Children, all available at www.savethechildren.org.uk

⁴ M Magadi and S Middleton, *Severe Child Poverty in the UK*, Save the Children, 2007

⁵ Figures are taken from Department of Work and Pensions from the Family Resources Survey. They are based on the 50% median income threshold of a couple/family with one child after housing costs (2007/08).

⁶ OECD, *Economic Outlook No. 86*, November 2009 www.oecd.org/document/9/0,3343,en_2649_34109_44083593_1_1_1_37443,00.html accessed 21 January 2010.