

MEASURING SEVERE CHILD POVERTY IN THE UK 2010

A Save the Children briefing

January 2010

Wales Policy brief

SUMMARY

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

In Wales this figure is higher than all the other UK nations – at 15% this amounts to 96,000 children living in severe poverty in Wales.

The report highlights that progress on reducing the number of children living in severe poverty has not only stalled but has gone into reverse. 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 severe child poverty remained at 1.7 million). This increase has occurred against a backdrop of rising child poverty overall in Wales. Child poverty in Wales reduced over the first half of the last decade faster than any other part of the UK; but the latest figures suggest the trend reversed in the latter half of the decade and child poverty is still rising.

Living in severe poverty means living on less than £12220 a year (for a couple with one child). This 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 parents are missing out on everyday essentials such as food and clothing and cannot afford things that most families take for granted such as celebrating a birthday or having a short family holiday.

The report illustrates the particular risk factors for severe child poverty. In particular there remains a relatively high likelihood of severe poverty amongst children in workless households.

Children in workless households are more likely to be in severe poverty than non severe poverty.

This analysis reinforces a clear message – severe child poverty is a significant concern and further action is needed to tackle it. Current government policy is clearly not reaching and supporting this group of children that needs help the most.



Save the Children

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Further, the goal of eradicating child poverty once and for all will not be achieved unless attention is urgently turned 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 are faced with severe child poverty levels actually increasing.

Every child deserves a fair chance in life, all are born equal and none should be left behind. It is not fair that any child grows up in severe 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 benefit system work 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

Save the Children is outraged that children and families are living in severe poverty in the UK. We believe that government policy must address the needs of those children and families in the deepest poverty, alongside those closest to the poverty line, 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. ² Using the most up to date statistics, the report, completed by the New Policy Institute, sets out the overall picture of severe child poverty across the UK. The latest report analysed trend data on the levels of severe child poverty over a four year period at UK and Devolved level. 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 analyse the characteristics of children living in severe poverty.

The report highlights that progress on reducing the number of children living in severe poverty is not being made, in fact it is going up and thus severe child poverty remains a major concern. This briefing outlines the key findings of the report and sets out why the UK and Welsh Assembly Governments need to focus their efforts on the poorest children in Wales.

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. Severe poverty describes a deeper, more intense poverty.

There is 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 families

experience. Measuring the severity or depth of poverty is a critical component in understanding the intensity of poverty that some children and families experience. Therefore, Save the Children promotes measuring severe child poverty using a combined income and material deprivation measure. We believe the combined measure gives a 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 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.³

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 one week's holiday away from home.⁴

Key findings

Severe child poverty in Wales

The report reveals that 96,000 children were living in severe poverty in 2007/08 across Wales. That means that around two-fifths of all children living in poverty in Wales were living in severe poverty. Our research suggests there has been an upward trend in levels of severe child poverty in the period from 2004/05 to 2007/08 across Wales, (the sample size in Wales is proportionally smaller compared to the other nations and so it is difficult to say this with a degree of certainty). This increase has occurred against a backdrop of rising child poverty overall in Wales and we can accept a corresponding increase in severe poverty in Wales from this analysis.

A snapshot across the UK

The proportion of children 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% of children in London are in severe poverty) and accounts for around one fifth of all children in severe poverty in the UK.

Characteristics/ risk factors

The risk factors associated with child poverty are heightened for those in severe poverty. We highlighted the key risk factors in our 2007 report. The latest analysis illustrates that the key risk factors remain the same. There remains a relatively high likelihood of severe poverty in the UK amongst:

- children in workless households
- those whose mothers (or fathers in case of lone parents) have low educational attainment
- children in single parent households
- those living in socially rented accommodation
- children in families with disabled adult(s)
- children from ethnic minority 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, than 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 in severe poverty.
- who live in rented accommodation were in severe poverty.
- whose parents have no qualifications are in severe poverty.

Some of the key characteristics of these risk factors are discussed in more depth below.

i) Weak connections to the labour market

The risk of severe poverty was highest for children in families where the adults were not working. Around two thirds (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 in severe poverty.

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

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

These findings have important policy implications. As the majority of children in severe poverty live in workless households, priority needs to be given to removing barriers to employment for parents living in poverty. Where parents can 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. For example, 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), 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.

ii) Educational inequalities

Just over one quarter (28%) of children whose mother (or father for children living in single parent families) has no qualifications were in severe poverty. Half of children in poverty whose parents have no qualifications were 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.

iii) Single parents

Single parent families are significantly more at risk of living in poverty than couple families. They often encounter particular barriers to both gaining and retaining employment. Single parent families are more at risk of severe poverty. *A quarter of children in single parent households were in severe poverty, a rate over four times as high as for children in couple households.* Almost 50% of children in severe poverty were in single parent families. Overall, around 40% of children in poverty live with single parents.

iv) 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 in severe poverty as those in a household with no disabled adult.*

Around 1 in 4 children in severe poverty lived with a disabled adult. The disability of the adults in the household has a greater effect on the risk of severe poverty than the disability of a child. Having a disabled child in the family is more of a risk for living in non severe child poverty than severe child poverty.

v) 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 are in severe poverty, as are a similar proportion of children in Black African households. Pakistani, Bangladeshi, Black Caribbean and Black African children are more likely to be 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 around three times as likely to be in severe poverty than White children.

vi) Other risk factors

The report highlights a number of other risk factors for living in severe child poverty:

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

Severe child poverty today

The recession has had a devastating effect on children in poverty (around 130,000 more children are in workless households and the number of households where all adults are working has come down by around 250,000). The New Policy Institute have indicated that the recession will have pushed a further 100,000 children into severe poverty but that changes in child benefit and tax credits during this period is likely to have cancelled out the impact of the recession on severe poverty numbers.

It is therefore expected that severe child poverty in 2009/10 will indicate similar levels to the 2007/8 figures.

The economy is expected to return to growth in this financial quarter however unemployment isn't expected to peak until later in 2010 or perhaps in 2011.⁵ Because the risk of living in severe poverty is heightened amongst those children living in workless households we are concerned that, as unemployment rises further, so will severe child poverty.

Conclusions and recommendations

This analysis reinforces a clear message – severe child poverty remains a significant concern and further 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 remain at these levels.

The report also points to the need to ensure that measures to tackle severe child poverty are targeted at those families most 'at risk'. This is needed to ensure policy and resources to tackle child poverty are made with the most vulnerable in mind.

In Wales Save the Children welcomes the UK and Welsh Assembly Government's commitment to eradicating child poverty by 2020 and making this commitment a legal requirement through the Child Poverty Bill and through the Children and Families (Wales) Measure. The Family Resources Survey is the primary vehicle for the production of child poverty statistics and yet in Wales the sample size is proportionally lower than any other devolved country, resulting in higher margins of error with any analyses and some analysis is not possible due to the limitations of sample size. Save the Children requests that government fund the Welsh sample of the Family Resources Survey to the same standards as Scotland and Northern Ireland, increasing the sample size immediately.

However, we are concerned that this goal will not be achieved unless attention is urgently turned 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 early progress, as we approach the interim goal of halving child poverty, severe child poverty, alongside child poverty is increasing.

Every child deserves a fair chance in life, all are born equal and none should be left behind. It is not fair that any child lives in severe poverty. Tackling severe child poverty requires action in a number of policy areas to support those experiencing severe poverty and to prevent children and families living in severe poverty. Severe child poverty is not explicit within current policy discourse; however it is implicit, for example with the emphasis on worklessness and welfare to work. Further emphasis needs to be put on supporting those experiencing the most severe poverty. We believe that the child poverty strategies developed by Welsh public bodies including the Welsh Assembly Government as a result of the Children and

Families(Wales)Measure should focus on severe child poverty and those groups particularly at risk of being in severe child 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 the majority of children in severe poverty live in workless households, priority should be given to action to remove barriers to employment for parents living in poverty including:

- a) Increase 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.
- b) Do 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.
- c) Increase training opportunities for parents who need to boost their skills.
- d) Support innovative approaches to job creation in deprived communities.

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

As the UK and Welsh Assembly Government seek to tackle the fiscal deficit, it's vital that changes to the tax and benefits system do not disproportionately affect families on the lowest incomes and that the services that are highly valued by low income families are protected by:

- a) Not raising the level of VAT beyond 17.5%.
- b) Ensuring that any changes to thresholds for payments of tax credits protect and promote the income levels of those living in severe poverty.
- c) Protecting services such as Flying Start and ensure that they are focussed on supporting families living in poverty and reduce inequality.
- d) Ensure that specific action to tackle *severe* and *persistent* poverty is included in the Welsh Assembly's Child Poverty Strategy

3) Make the tax and benefit system work for the poorest families. Key measures include:

- a) Introduce a progressive universal approach to Child Benefit so that greater resources are directed towards the poorest children, so that those who need it the most get the most.
- b) Take significant steps working with the Department of Work and Pensions and local authorities to ensure that all who are entitled to benefits and tax credits take them up.

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

- a) Supporting families with the cost of fuel.
- b) Support families to avoid crippling high interest debt.

5) Break the link between poverty and educational achievement by:

- a) Helping families in severe poverty to support their children's education.
- b) Making sure schools are incentivised by the accountability system to raise the attainment of the poorest children.
- c) Making sure school funding targets the poorest children.

For further details about our campaign and advocacy work in Wales, please contact, infowales@savethechildren.org.uk 02920 396838

For further details of the research report produced by NPI please contact Graham Whitham, UK Poverty Policy Advisor, at 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 out goings after paying rent. <http://www.minimumincome.org.uk/>

² *Britain's Poorest Children* (2003), *Britain's Poorest Children Revisited* (2005) and *Severe child poverty in the UK* (2007), all available at www.savethechildren.org.uk

³ Magadi and Middleton (2007). *Severe child poverty in the UK*. Save the Children.

⁴ Figures are taken from Department of Work and Pensions (2009) *Household below average income statistics*. They are based on the 50% median income threshold of a couple family with one child after housing costs for 2007/08.

⁵ OECD (November 2009) *Economic Outlook No. 86*

http://www.oecd.org/document/9/0,3343,en_2649_34109_44083593_1_1_1_37443,00.html