

## SEVERE CHILD POVERTY IN ENGLAND

Save the Children – February 2011

### Summary

Save the Children's latest research findings, commissioned from the New Policy Institute, reveal that 1.6million children across the UK live in severe poverty and that 28 local authorities in England have more than one in five children living in severe poverty.<sup>i</sup> In England, we estimate that there are five areas where around one in four children are living in severe poverty: Manchester, Tower Hamlets, Newham, Leicester and Westminster.

Public sector job losses and changes to benefits in the coming years risk increasing severe child poverty, especially in those areas with high levels of deprivation.

Children in severe poverty are missing out on things like school trips and hobbies, hitting their educational and social development and leaving them excluded from society. Parents in severe poverty are managing very tight budgets and don't have enough money for things like household contents insurance, repairing a broken refrigerator or washing machine or saving just a small amount each month for emergencies or a birthday. Families in severe poverty are getting by on less

than £134 per week for a lone parent with one child and less than £240 per week for a couple with two children.<sup>ii</sup> They can ill afford the forthcoming cuts to welfare, nor the recent increases in VAT and inflation.

Our research report highlights the main risk factors for severe child poverty. There is a relatively high likelihood of severe poverty among children in workless households. Worklessness also compounds the risk of severe poverty alongside other key risk factors such as housing tenure and family type. Yet, 610,000 of the children in severe poverty in England live in households where at least one adult works, meaning that being in work isn't always enough to escape deep poverty.

Despite the deficit and spending cuts, the allocation of resources and focus of support by government is a political choice. The government can ensure no child grows up in severe child poverty if it has the political will to do so. The government, building on the recommendation by Frank Field MP to develop a focus on severe poverty,<sup>iii</sup> must set out a clear commitment to end severe child poverty, implement the policies needed to boost family incomes and support parents to overcome barriers to employment.



**To urgently tackle severe child poverty, Save the Children is calling on the government to:**

- 1. Agree a plan on severe child poverty that includes:**
  - o **Ensuring that jobs created as the economy recovers are available to people in areas of high severe poverty and unemployment.**
  - o **Removing the barriers to employment faced by low income parents; this should include tackling low wages and supporting parents to meet childcare costs.**
  - o **Improving the financial support provided to families in desperate need, going further than the increases in child tax credits announced so far for 2011 and 2012, and increasing financial support for families who can't work.**
- 2. Adopt Save the Children's measure on severe child poverty and set targets for eradication.**

Our latest research shows that severe child poverty dropped slightly between 2007/08 and 2008/09 but remains stubbornly high. For the first time we have developed estimates at local authority level of severe child poverty. The following sections set out the key findings. Discussion of the methodologies used to develop both the national and local figures is also provided.

**National levels of severe child poverty**

**Key national findings**

In the year 2008-09, around 1.6 million or 13% of the children in the UK were in severe poverty. Children in severe poverty made up about four in ten of all children in overall poverty. 2008-09 saw a slight decline in the proportion of children in severe poverty compared to 2007-08 of around 100,000. This was consistent with the fall in the rate of overall UK wide child poverty since 2007-08 and a result of government measures at the time which boosted the incomes of low income families (child benefit and tax credit increases). However, since we first introduced this measure we've seen an overall rise in the number of children living in severe poverty, from 11% of all children in 2004/05 to 13% in 2008/09.

**A snapshot across the four nations**

1.4million children in England are living in severe poverty. Levels of severe child poverty differ across the four nations of the United Kingdom and across the nine English regions. At 14%, the proportion of children in severe poverty was highest in Wales. It was 13% in England and 9% in Scotland and Northern Ireland.

Looking at the English regions, the risk of severe poverty was the highest amongst children living in London, at about 18%, followed by the West Midlands at 16% and the North West at 15%.

**Table 1: The proportion of children in severe poverty by English region and UK country (average for 2006-07 to 2008-09)**

	<b>Proportion of children in severe poverty</b>
London	18%
West Midlands	16%
North West	15%
North East	14%
East Midlands	14%
Yorkshire and Humber	13%
South West	11%
East	9%
South East	9%
Wales	14%
England	13%
Northern Ireland	9%
Scotland	9%
UK total	13%

**Local severe child poverty in England**

**Key local findings <sup>iv</sup>**

Severe child poverty is highest in those areas with high levels of worklessness amongst households containing children. The local authorities with the highest estimated level of severe child poverty are all in England; they are Manchester (27%), Tower Hamlets (27%), Newham (25%), Leicester (24%) and Westminster (24%). The risk of being in severe poverty in these areas is around double the national average. Over half of the twenty boroughs with the highest levels of severe poverty are in London. This follows on from the finding that London has by far the highest rate of child poverty of any region.

**Table 2: The ten local authority areas with the highest estimates of severe child poverty**

Rank	Local authority	Proportion of children in severe poverty
1.	Manchester	27%
2.	Tower Hamlets	27%
3.	Newham	25%
4.	Leicester	24%
5.	Westminster	24%
6.	Nottingham	23%
7.	Liverpool	23%
8.	Birmingham	23%
9.	Blackpool	22%
10.	Hackney	22%
11.	Enfield	22%
12.	Sandwell	22%
13.	Haringey	22%
14.	Barking and Dagenham	22%
15.	Wolverhampton	22%
16.	Waltham Forest	22%
17.	Southwark	21%
18.	Lambeth	21%
19.	Islington	21%
20.	Halton	21%

The twenty authorities with the highest rates are in the table above. A full list is provided in the research report. Overall, we estimate that there are 28 local authorities in England where more than one in five children live in severe poverty.

## Our latest severe child poverty research

*Severe Child Poverty: An Update* is the latest report in a series commissioned by Save the Children on levels of severe child poverty in the UK. <sup>v</sup> 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. Data from a three-year period from 2006/07 to 2008/09 was used to provide three year rolling averages (so that the sample size is sufficient to analyse severe poverty in detail), to look at the groups of children most at risk.

*Estimates of Severe Child Poverty in Local Areas* is the first attempt at beginning to understand severe child poverty levels by local authority area. Using data from Households

Below Average Income/ Family Resources Survey (HBAI) and the Annual Population Survey (APS) the research report estimates levels of severe child poverty in local areas in Great Britain in the three years up to 2009.

## Why measure 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. Families in severe poverty are living on low incomes of half or less of the average family income.

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. We believe that severe child poverty is best assessed using a combined income and material deprivation measure. Using this combined measure gives a fuller picture of poverty in the UK and strengthens the validity of the data. The data is taken from the Household Below Average Income/ Family Resources Survey (HBAI), 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.”<sup>vi vii</sup>**

The methodology used to develop the local authority level estimates is explained below.

## Overview of the local severe child poverty methodology

It should be noted that the methodology used to develop the local authority estimates is different from the methodology used to develop the national level statistics. The HBAI/FRS datasets used to develop the national figures do not provide the level of detail needed to measure local levels of severe poverty. The methodology used to estimate the local figures is in effect a combination of household work status and regional risk of severe poverty.

The local authority methodology combines data from

HBAI and the Annual Population Survey (APS). The former dataset contains information on household income, and so tells us about severe child poverty rates in UK regions. The latter gives us information about the child population in each local authority in Great Britain. The two datasets are linked using information about household work status and the region in which the child lives.

We recognise there are limitations to this approach. These are discussed, alongside a more detailed explanation of the methodology used, in the research report.

## Risk factors

*Severe Child Poverty: An Update* provides an insight into those groups which are most at risk of severe poverty. The following section summarises the key findings.

### Work status

The work status of the family makes a big difference to a child's chances of living in severe poverty. 44% of children in workless families are in severe poverty, compared to around 7% of children in families where at least one parent works. 820,000 children living in workless families (either unemployed or inactive for other reasons) were in severe poverty.

In workless families, there were more children in severe poverty than non severe poverty. This contrasts with children in working families, who are more likely to be in non severe poverty and most likely not to be in poverty at all.

### Single parents

Just under half of children in severe poverty live in a lone parent household. The risk of severe poverty is far higher among the lone parent households than couple households. Some 660,000 children in lone parent families, 26% of all children living in lone parent families, were in severe poverty. This contrasts with 9% of children in couple households.

### Housing tenure

Half of all children in severe poverty are living in social rented accommodation. This represents 31% of children living in social rented accommodation (either from local authority or housing association).

## Disability

Living in a family with a disabled adult almost doubled the risk of severe poverty for children. 22% of children living in a family that had a disabled adult were in severe poverty, compared to 12% in families with no disabled adult. Around one quarter of children in severe poverty lived with a disabled adult.

## Age of parents

Children living with young parents aged under 25 were more likely to be in severe poverty than those living with older parents. At 180,000, 36% of children whose parents were below the age of 25 were in severe poverty. However children in such families did not account for a very high share of children in severe poverty overall - only one in seven children in severe poverty belonged to such families.

## Family size

580,000 children in severe poverty lived in households with three or more children, meaning that 19% of children in these larger households were in severe poverty. This compares to 11% of children in smaller households.

## Ethnicity

Across the UK, children from Pakistani, Bangladeshi and Black African backgrounds were much more likely to be in severe poverty than other children. Between 30% and 35% of these children were in severe poverty, compared to 11% of White British children. However, in terms of absolute share, the majority of children in severe poverty, some 1.1 million, are from White British backgrounds.

## Severe child poverty – Looking to the future and the impact of unemployment

Child poverty (measured as below the 60% median income level) is expected to fall by 2010/11, then remain static before rising again in 2013/14.<sup>viii</sup> Changes in severe child poverty figures have tended to mirror overall child poverty trends and we might expect a similar drop in severe child poverty over the period 2008/09 to 2010/11. However, the sustained period of high unemployment since the end of 2009 will have pushed some families into severe poverty given the high risk of severe poverty amongst workless families. These two factors may balance each other out, leaving severe child poverty static.



Beyond 2010/11, government measures such as the freeze in child benefit and change to the way benefits are up rated (plus other welfare cuts) are likely to increase severe child poverty, especially if high unemployment continues. Public sector job losses may also drive up severe child poverty. This will mean many more children will be going without the things many of us take for granted. Unless action is taken now, more children will suffer. Small increases in child tax credits announced in the June budget and CSR may go some way to minimising the impact of unemployment and welfare cuts on severe poverty in the years 2011 and 2012 but won't be enough for many families.

Additional analysis by Save the Children set out in the table below shows that the areas with the highest levels of severe poverty have suffered from higher levels of unemployment growth than those with low levels of severe poverty. Whilst the ten areas with the lowest levels of severe child poverty experienced an average increase in unemployment of 1.59% in the two years between June 2008 and June 2010, the areas with the highest rates experienced an average unemployment increase of 2.33%. In addition, people looking for work in those areas are competing with a higher number of people for vacancies (over 6 JSA claimants per vacancy in the areas of high severe poverty compared to less than 3 people per vacancy in the areas with the lowest levels of severe poverty). It would also appear that local areas with high levels of severe child poverty have a greater risk from job losses because they tend to have greater reliance on public sector jobs.

**Table 3: Average labour market statistics for the ten local authority areas with the highest and lowest estimates of severe child poverty in England**

	Highest	Lowest
<b>All persons employed in public sector as % of all persons in employment</b>	25%	22%
<b>All persons employed in private sector as % of all persons in employment</b>	75%	78%
<b>Unemployment in June 2010</b>	11.31%	5.19%
<b>Change in unemployment rate between June 2008 and June 2010</b>	+2.33%	+1.59%

<b>JSA claimants per unfilled jobcentre vacancy</b>	6.5	2.74
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*Figures based on data sources from the Office for National Statistics. Sourced December 2010 and January 2011.*

The impact of the recession has been geographically uneven. Similarly, future economic growth, job losses and public spending cuts will be distributed unevenly. These fears are backed up by research by the Work Foundation which found that:

“The cities which are likely to experience considerable growth in the future are those with highly educated populations, high levels of employment in the potential growth sectors and relatively low levels of employment in the public sector. These high growth cities tend to be located in the South East or East”.<sup>ix</sup>

Government has recognised that certain areas face challenging job markets and have instigated measures which are intended to support economic and employment development at the local level.<sup>x</sup> However, there are concerns that government policy in this area is not focussed on providing targeted and specific support to areas of high deprivation and poverty. According to the Centre for Local Economic Strategies, the competitive processes involved in initiatives such as Local Enterprise Partnerships and the Regional Growth Fund may actually put areas with weak labour markets and underdeveloped private sectors at a comparative disadvantage and are not a replacement for targeted economic development initiatives such as Grants for Business Investment.<sup>xi</sup>

## Recommendations

Severe child poverty remains a major and often ignored issue in England. It is a problem which is exacerbated by weak local labour markets. Tackling severe child poverty requires action in a number of policy areas and presents a number of challenges to policy makers.

### 1. A focus on severe child poverty

The government commissioned Independent Review on Poverty and Life Chances recommended a focus by government on severe poverty so that government policy recognises the importance of “ensuring that children do

not experience severe financial and material poverty while they are growing up".<sup>xii</sup> We urge the government to implement this recommendation by adopting our measure and establishing a severe child poverty eradication target. This could involve a target to eradicate severe child poverty<sup>xiii</sup> by 2016 as part of a pathway to child poverty eradication by 2020. This will help ensure that policy is designed to benefit those children experiencing the most intense and severe poverty.

## 2. A severe child poverty plan that includes...

### Local labour markets

Welfare reform alone won't be enough to support parents into decent, sustainable jobs if there are no jobs available. The analysis in this briefing shows that areas of high severe child poverty face major labour market challenges. So far the government's growth plans haven't focussed enough on targeted, spatial approaches to economic and labour market development. **It is vital that the government ensures that jobs created as the economy recovers are available to people in areas of high severe poverty and unemployment.** Funding for economic development and labour market support through the Regional Growth Fund and Business Growth Fund needs to be earmarked for areas of high deprivation and linked to job creation targets within those localities.

### Barriers to 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. We recognise that the government intends to replace the current working tax credit and benefits system with a new universal credit but the implementation of this is some way off and parents need labour market support now. Key measures include:

- **Supporting low income parents with childcare costs.**
- **Doing more to support parents who wish to work in part-time jobs, specifically by raising the earned income level at which lone parents can claim full benefits.**
- **Providing more training opportunities for parents who need to boost their skills.**
- **A commitment to increases in the minimum wage and supporting the**

**adoption of the living wage by as many employers as possible.**

- **Reversing the decision to increase the eligibility threshold for entitlement to working tax credit for couples to 24 hours a week from 16. This measure is one of a number announced since May 2010 which will make it harder for parents to return to work.**
- **Adopting a more generous Universal Credit taper than the one currently being proposed.**

### Improve the financial support provided to families in desperate need

Low income families face acute financial pressure over the coming years due to welfare cuts, inflation and the increase in VAT. Government has recognised this by announcing increases to child tax credits in 2011 and 2012. However, these increases will not be enough for many low income families. There is much more government could do to alleviate the financial pressure on low income families. In addition to tackling low pay and incentivising people to move into work (see above) government must:

- **Commit to annually increasing the child tax credit (or the child element of Universal Credit when it is introduced) faster than average earnings.**
- **Tackle the poverty premium<sup>xiv</sup> faced by low income families by ensuring low income families with children are supported to meet rising energy costs and increasing access to affordable credit.**
- **Develop an effective strategy for ensuring maximum take up of benefits and tax credits amongst low income families.**
- **Increase financial support for families who can't work.**

### Contact

For further details about our advocacy work, please contact Flora Alexander, Westminster Parliamentary Adviser: [f.alexander@savethechildren.org.uk](mailto:f.alexander@savethechildren.org.uk) or 020 7012 6689.

For further details of the research reports produced by the New Policy Institute, please contact Graham Whitham,

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<sup>i</sup> Figures in England are for county/unitary local authorities and not for districts. Figures have been produced for 204 'top tier' local authorities in Great Britain.

<sup>ii</sup> These figures represent 50% of median incomes for the equivalent family type. The figures are after housing costs and taxes and in both instances for households where the children are under 14 years of age.

<sup>iii</sup> The Independent Review of Poverty and Life Chances, Frank Field, *The Foundation Years: Preventing poor children becoming poor adults* December 2010

<sup>iv</sup> NB we have not been able to develop local authority severe poverty figures for Northern Ireland using this methodology.

<sup>v</sup> *Britain's Poorest Children* (2003), *Britain's Poorest Children Revisited* (2005) and *Severe Child Poverty in the UK* (2007), *Measuring Severe Child Poverty in the UK* (2010), Save the Children

<sup>vi</sup> M Magadi and S Middleton, *Severe Child Poverty in the UK*, Save the Children, 2007

<sup>vii</sup> These basic necessities include things like parents not having enough shoes, being able to afford to decorate the home, pay for household contents insurance or repair electrical goods. For children it means missing out on things like celebrating birthdays, having friends round, swimming lessons and school trips.

<sup>viii</sup> Institute for Fiscal Studies, *Child and working-age poverty from 2010 to 2013* December 2010

<sup>ix</sup> The Work Foundation, *No City Left Behind? The geography of recovery – and the implications for the coalition* July, 2010.

<sup>x</sup> Department for Business, Innovation and Skills, *Local growth: Realising every place's potential* October 2010

<sup>xi</sup> Centre for Local Economic Strategies, *Big productive society: Making deprived areas strong again* December 2010

<sup>xii</sup> The Independent Review of Poverty and Life Chances, Frank Field, *The Foundation Years: Preventing poor children becoming poor adults* December 2010

<sup>xiii</sup> Achieving a severe child poverty rate of 5% or less.

<sup>xiv</sup> The poverty premium is the extra amount families on low incomes pay for everyday goods and services just because they are poor. Research by Save the Children has found that this can amount to £1300 per year for a low income family.