

SEVERE CHILD POVERTY IN NORTHERN IRELAND

Save the Children – February 2011

Summary

Save the Children believes that severe child poverty will get worse unless urgent steps are taken. Our latest research, commissioned from the New Policy Institute, shows that 40,000 children are in severe poverty in Northern Ireland.

Public sector job losses and changes to benefits in the coming years could increase severe child poverty, especially in those areas with high levels of deprivation. At a time of public spending cuts and public sector job losses it is crucial that both the UK and Northern Irish governments support economic development and local job market recovery in areas of high severe child poverty.

Children in severe poverty are missing out on things like school trips and hobbies, thus affecting 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 a small amount each month. 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.ⁱ 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 36% of children in severe poverty in Northern Ireland are in households where at least one adult works, meaning that being in work isn't always enough to escape deep poverty. The research findings send a stark message that more must be done to create jobs and tackle low wages.

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. We welcome the Executive's decision to measure severe poverty, now we need to see a clear commitment and actions to end severe child poverty in Northern Ireland.



We recognise that some of the key drivers for reducing severe child poverty lie with the UK government. That is why we're calling for joint action at UK and devolved level. To tackle severe child poverty, Save the Children is calling for:

Agree a plan on severe child poverty that includes:

- **A severe child poverty target which complements the four measures in the Child Poverty Act to be included in the child poverty strategy and next Programme for Government.**
- **Removal of the barriers to employment faced by low income parents: this should include tackling low wages and supporting parents to meet childcare costs.**
- **Better financial support for families in desperate need, going further than the increases in child tax credits announced so far for 2011 and 2012.**
- **Measures which ensure that jobs created as the economy recovers are available to people in areas of severe poverty and unemployment.**

Our latest severe child poverty research shows that across the UK severe child poverty dropped slightly between 2007/08 and 2008/09 but remains stubbornly high. For the first time we have developed estimates of severe child poverty within Northern Ireland, looking at severe child poverty in Belfast, and the east and west of the country. The following sections set out the key findings. Discussion of the methodologies used to develop both the national and Northern Irish 'regional' figures is also provided.

Severe child poverty in the UK and Northern Ireland

Key UK 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, over the years since we first introduced this measure we've seen the number children living in severe poverty rise from 11% of all children in 2004/05 to 13% in 2008/09.

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.

Key Northern Ireland findings

There were 40,000 children living in severe poverty in Northern Ireland in the three years to 2008/09. This means that 9% of children - nearly one in ten children - are living in severe poverty in Northern Ireland.

We can also see that severe child poverty is an even greater problem within specific parts of Northern Ireland. Using data from the Family Resource Survey we've calculated severe child poverty for three parts of the country; East of Northern Ireland, West of Northern Ireland and Belfast. These figures are shown in the table below.

Table 1: The proportion of children in severe poverty by Northern Ireland 'region' (average for 2006-07 to 2008-09)

	Proportion of children in severe poverty
Belfast	5%
West of Northern Ireland	12%
East of Northern Ireland	7%

Risk factors

*Severe Child Poverty: An Update*ⁱⁱ provides an insight into those groups in Northern Ireland which are most at risk from 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. 29% of children

in workless families in Northern Ireland are in severe poverty, compared to around 4% of children in families where at least one parent works.

However, in Northern Ireland the risk of being in severe child poverty amongst those children in workless households is lower than in other parts of the UK.

36% of children in severe poverty in Northern Ireland are in households where at least one person works.

Single parents

Over half of children in severe poverty in Northern Ireland live in a lone parent household. The risk of severe poverty is far higher among children in lone parent households than it is among children in couple parent households. Some 20% of all children living in lone parent families in Northern Ireland were in severe poverty. This contrasts with 6% of children in couple households.

Housing tenure

Well over half - 63% - of all children in severe poverty are living in rented accommodation (either socially or privately rented). However, the risk of living in an owner occupier household and being in severe poverty is higher in Northern Ireland than it is in other nations of the UK.

Whereas in England around half of children in severe poverty are in socially rented accommodation, in Northern Ireland there is a fairly even risk of severe poverty between, socially rented (30%), privately rented (33%) and owner occupier (37%) tenure groups.

Disability

There is a slightly higher risk of severe poverty among children living in a household with a disabled adult. 12% of children living with a disabled adult are in severe poverty in Northern Ireland compared to 8% of those children who aren't living 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. 15% of children whose parents were below the age of 25 were in severe poverty compared to 8% of those whose parents were over 45. However children whose parents were under 25 did not account for a very high share of children in severe poverty - only 9% of

children in severe poverty belonged to such families. The majority of children in severe poverty lived with a head of household aged over 35.

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.ⁱⁱⁱ 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 of living in severe poverty.

Calculating severe child poverty in Northern Ireland: East, West and Belfast is the first attempt at beginning to understand severe child poverty levels at a more local level. The Family Resources Survey (used to develop the UK wide figures) does not have a large enough sample size to produce results at local level in Northern Ireland or indeed anywhere in the UK. As a result, we have been forced to group districts within Northern Ireland together. This method is used by the Northern Ireland Statistics and Research Agency when analysing the FRS.

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 – a deeper, more intense level of poverty. Families in severe poverty are living on low incomes of half or less of the average family income.

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. 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 Households 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.”^{iv} v

Future levels of severe child poverty – The Northern Ireland context

In the UK 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.^{vi} 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 rising unemployment in 2010 is likely to have increased severe child poverty levels given the high risk of severe poverty amongst workless families. These two factors may balance each other out, leaving severe child poverty static. We expect this to broadly be the case both UK wide and in Northern Ireland.

Beyond 2010/11, UK 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 by the UK Government 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.

The impact of the recession has been geographically uneven across the UK. This is acknowledged in the Executive's recent draft Economic Strategy^{vii} for Northern Ireland which highlights:

- the extent of reliance on the public sector with almost 31% of total employment in the public sector (compared with the UK average of 21%)
- the loss of 34,000 employee jobs (seasonally adjusted) since the peak in employment in June 2008. The majority of the job losses have been in

manufacturing, construction, retail and business and finance.

- the rise in job losses reflected in the increase in the number of people claiming unemployment benefit. Since March 2008, the claimant count has increased by 34,700 to stand at 58,500 in November 2010, which represents a rise of 146%. The increase has been much larger in Northern Ireland than in Great Britain (which increased by 86% over the same period).

Deficits in skills – education achievement

Northern Ireland lags behind the rest of the UK (and other competitors) on a number of key productivity drivers including skills, education, innovation and R&D, inward investment, business growth and economic infrastructure.

Of immense concern for the child poverty targets are the deficits in skills and education achievement.

- NI has a much higher proportion of the working age population (20.3%) with no qualifications compared with the UK average (10.5%).
- The economic strategy focuses on the disparity in education attainment between NI and international top performers such as Singapore, Finland and Canada. This overlooks the extent of educational inequality within NI which means that at every stage of schooling, Northern Ireland's poorest children do worse and make less progress than their better-off classmates.
- over 20% of children do not attain the expected standards in literacy and maths when they leave primary school.
- in 2009 only 29.7% of children entitled to free school meals (FSME) achieved 5 GCSEs A* to C, including English and Maths, compared to 63.6% non FSME students.^{viii}

Low wage economy

According to the Annual Survey of Hours and Earnings (ASHE), median gross weekly earnings for all (i.e. both full- and part-time) employees in NI in 2010 was £356.6, some 12% lower than the UK (£404.3).^{ix}

NI full-time employees' median gross weekly earnings at April 2010 were £440.8, which was



approximately 88% of the figure in the UK (£498.8).

NI full-time earnings increased by 0.8% over the period, compared to an increase of 2.1% in the UK.

The median gross weekly part-time earnings in NI at April 2010 was £149.5, down 6.0% over the year compared with an increase of 0.7% in the UK (to £153.7).

Median gross weekly earnings for full-time employees in the NI private sector increased at a slower rate (0.6% to £383.4) than in the UK, where growth was 2.0% over the year (to £473.1). This represented a widening of the NI/UK private sector pay gap, from 82.1% of the UK figure at April 2009 to 81.0% at April 2010.

High rates of economic inactivity

The NI economic inactivity rate for those aged 16-64 stands at 29.0%.^x This is significantly higher than the UK average rate (23.4%) and is the highest of the twelve UK regions. Unadjusted figures estimate that 27% of the economically inactive, aged 16-64, in NI are sick/disabled, 26% are students, 25% are looking after the family/home, 13% are retired and 9% are 'other' reason.

Regional inequality

Within Northern Ireland the impact of the recession has been geographically uneven with a disproportionate impact on certain areas with historically high claimant rates (such as the Belfast, Derry, Limavady and Strabane district council areas).^{xi}

The historical lack of investment in infrastructure west of the Bann is the subject of the draft Regional Development Strategy which sets out the framework for spatial development until 2025. It outlines the need to redress this regional disparity coupled with persistent areas of socio-economic deprivation. It also outlines measures on transport, energy, the location of jobs and houses. In light of the findings about the high proportion of children in severe child poverty in the west, it is clear that the regional strategy should be aligned more closely with the child poverty strategy.

The Work Foundation

In view of this litany of inequality and deficiencies we note with concern the implications of the Work Foundation's findings for Northern Ireland:

“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”.^{xii}

This prospect should add urgency to the importance of taking the child poverty legislation seriously and aligning the child poverty strategy with the economic and regional development strategies.

Recommendations

Severe child poverty is a significant problem in Northern Ireland. It is a problem exacerbated and entrenched 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

Frank Field's 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”.^{xiii}

We welcome the Executive's recent agreement on the severe child poverty measure: now we need to see actions to end severe child poverty in the NI child poverty strategy and the next Programme for Government.

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

Local labour markets

The welfare reform proposals being instigated by the UK Government won't on their own be enough to support parents into decent, sustainable jobs if there are no jobs available. Areas of high severe child poverty face major labour market challenges. Both governments' growth and job creation plans must focus on targeted, spatial approaches to economic and labour market development.

As the economy recovers, it is vital that jobs



created are available to people in areas of severe poverty and unemployment. We strongly recommend the alignment of strategies – child poverty, economic, and regional – to ensure that co-ordinated action is led by the Executive.

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 UK Government intends to replace the current working tax credit and benefits system with a new universal credit but the implementation of this is somewhat 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. The Executive has taken the lead with its Earnings Disregard pilot and we recommend that the learning informs the other nations' child poverty strategies.**
- **Providing more training opportunities for parents who need to boost their skills.**

Specifically we are calling on the UK Government to:

- **Commit to increases in the minimum wage and supporting the adoption of the living wage by as many employers as possible.**
- **Reverse the decision to increase the working tax credit hours rule for couples to 24 from 16. This measure is one of a number announced since May 2010 which will make it harder for parents to return to work.**
- **Adopt a more generous taper than that proposed under the Universal Credit reforms.**
- **Commit to annually increasing the child tax credit (or the child element of Universal Credit when it is introduced) faster than average earnings.**

Improve the financial support provided to families in desperate need

Low income families face additional financial pressure due to welfare cuts, inflation and the increase in VAT. Action needs to be taken to alleviate the financial pressure on low income families. In addition to tackling low pay and incentivising people to move into work (see above) we need to see action which:

- **Tackles the poverty premium faced by low income families by ensuring low income families with children are supported to access affordable credit and meet rising energy costs.** ^{xiv}
- **Develops an effective strategy for ensuring maximum take up of benefits and tax credits amongst low income families.**

Co-ordination and leadership

It is crucial that the Executive works together to recognise the labour market challenges of low wages, high unemployment, high economic inactivity, educational and regional inequalities. Overcoming these challenges will be central to driving down severe child poverty. But its success is predicated on joined-up working and strategies.

We would echo the Executive's call for coherence in its economic strategy - 'it is recognised that there are a large number of strategies across Executive departments which have implications for the economy. On too many occasions there has been a lack of clarity on how the respective strategies interact with, and depend on, each other. In this context, one of the objectives of putting in place an overarching economic strategy is to draw together the different elements into a single coherent plan for economic development.' ^{xv}

Looking across the sea, the Executive may be interested in the Scottish government's approach to ending child poverty: 'Our focus on poverty and income inequality is reflected in this Government's Economic Strategy, through the Solidarity target: **'to increase overall income and the proportion of income received by the three lowest income deciles as a group by 2017'**. ^{xvi}



Contact

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

ⁱ 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.

ⁱⁱ New Policy Institute (2011) *Severe Child Poverty: An Update*. Save the Children.

ⁱⁱⁱ *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

^{iv} M Magadi and S Middleton, *Severe Child Poverty in the UK*, Save the Children, 2007

^v 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.

^{vi} Institute for Fiscal Studies, *Child and working-age poverty from 2010 to 2013* December 2010

^{vii} Northern Ireland Executive, *Economic Strategy: Consultation on Priorities for Sustainable Growth and Prosperity*, Jan 2011, chapter 2

^{viii} Save the Children policy briefing, *Better Odds at School*, 2010

^{ix} *Monthly Labour Market Report*, Department of Enterprise, Trade and Investment, 19 January 2011 p 15

^x *Ibid* p 1

^{xi} The Northern Ireland Executive, *Economic Strategy: Consultation on Priorities for Sustainable Growth and Prosperity*, Jan 2011

^{xii} The Work Foundation's, *No City Left Behind? The geography of recovery – and the implications for the coalition* July, 2010.

^{xiii} The Independent Review of Poverty and Life Chances, Frank Field, *The Foundation Years: Preventing poor children becoming poor adults* December 2010

^{xiv} 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.

^{xv} The Northern Ireland Executive, *Economic Strategy: Consultation on Priorities for Sustainable Growth and Prosperity*, Jan 2011 p 5

^{xvi} *Tackling Child Poverty in Scotland*, Nov 2010 para 3.1

