Measuring child poverty

A consultation document

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DWP

Department for
Work and Pensions

Contents

Foreword

The Prime Minister's pledge to eradicate child poverty in a generation is a significant and demanding undertaking. We are already making progress year on year and there is still more to do. But the Government alone cannot achieve this ambition without public support over successive Parliaments. We need to ensure that the right policies are in place to tackle not just the symptoms of poverty but also its root causes. And we need to deliver visible results each year.

Tackling poverty is not only about improving the lives of individuals, it is an economic necessity. Everyone pays the bill of poverty and everyone benefits when communities have more jobs, less crime, better health and higher expectations for their children.

Our annual *Opportunity for all* reports set out our strategy to tackle poverty and social exclusion and include a set of indicators to monitor progress. We can already see real improvements for children. Education results are improving for all age groups.

And there are 300,000 fewer children living in workless households than in 1997. The Working Families' Tax Credit, worth an extra £35 a week on average when compared to the old Family Credit, is benefiting nearly 1.3 million families with 2.5 million children. Budget 2002 takes further steps to tackle child poverty.

To meet our long-term objectives we are building on measures to raise the incomes of families – for example through the new tax credits. But poverty is about far more than income. That is why our strategy is also about delivering excellent public services in every neighbourhood: high-quality healthcare, a world-class education system and the opportunity of decent housing for all. And it is about raising employment – as a job remains the best route out of poverty.

As we extend Jobcentre Plus across the country, we will help more people to help themselves through work. We will continue to provide financial support for families and deliver better public services for all neighbourhoods. We must make sure that no child is left behind. This will be most effectively achieved by a partnership between the Government and all sectors: voluntary, private, public, faith and community groups. That is why we need your views.

We are a Government that is prepared to be judged on what we deliver and to learn from the experience of others. We have already engaged in wide public consultation on key issues, including the way we will provide financial support in future to families through the new tax credits. Now we need to make sure that we are tracking progress towards our goal to eradicate child poverty in the best way possible, so that we can all see clear results.

It is our aim to build consensus for a measure of child poverty that will endure in the long-term. We are, therefore, now asking for your views on how we should build on our existing indicators and targets to measure child poverty in the long-term.

Rt Hon Alistair Darling MP
Secretary of State for Work and Pensions
April 2002

Executive Summary

In March 1999, the Prime Minister announced the Government's commitment to eradicate child poverty within a generation. As we move towards this goal we want to be sure that we are measuring poverty in a way that helps to target effective policies and enables the Government to be held to account for progress. We have been following closely important debates among experts in the field on poverty measurement. We now need to consider how these can and should inform our approach to measuring child poverty in the long term and would welcome your views.

Our annual *Opportunity for all* reports and more recently *Tackling child poverty: giving every child the best possible start in life* set out our strategy for tackling child poverty.

Opportunity for all includes a set of indicators to monitor annual progress. These indicators capture a range of outcomes, including:

• relative, absolute and persistent low income;

• worklessness;

• educational attainment;

• health inequalities; and

• housing standards.

The indicators are linked to Public Service Agreement targets, which are set as part of the regular Spending Reviews. But the focus of this document is a discussion of options to track long-term progress at tackling child poverty. Some countries, such as the United States of America and Ireland, have adopted headline measures of poverty and we can learn from their experience and from research.

This paper highlights four different approaches to monitoring progress:

• using a small number of multi-dimensional headline indicators, such as those already highlighted in *Opportunity for all*, to track improvements in different aspects of child poverty, for example low income, worklessness, education, health and housing;

• constructing an index that combines a small number of headline indicators to produce a single figure to track progress;

• using a headline measure of 'consistent poverty' – similar to the approach in Ireland – that combines relative low income and material deprivation; and

• using a core set of indicators of low income and 'consistent poverty'.

Each approach has pros and cons. These are discussed more fully in the paper. You may have suggestions about other ways to measure poverty in the long-term.

In particular, we would like your response to the following questions.

1. What aspects of child poverty should be captured in a long-term measure?

2. Do you agree with the criteria for selecting a good indicator set out on page 19?

3. What do you think is the best summary or headline measure to track long-term progress of child poverty?

4. In particular do you have views on the four approaches?

   - Option One – multi-dimensional headline indicators

   - Option Two – a child poverty index

   - Option Three – a headline measure of 'consistent poverty', combining relative low income and material deprivation

   - Option Four – a core set of indicators of low income and 'consistent poverty'

5. Does the approach you favour capture the factors you listed in response to question 1 and satisfy most of the criteria that you have highlighted in response to question 2?

6. Do you have any particular views on the geographical coverage within the UK of the four approaches?

Details of the consultation arrangements can be found on page 8 and on the enclosed response form.

Introduction

Why consult?

1. In March 1999, the Prime Minister announced the Government's commitment to eradicate child poverty within a generation. We have already made good progress but there is still a long way to go to achieve our goal. As we move forward, we want to be sure that we are measuring poverty in a way that helps to target effective policies and enables the Government to be held to account for progress.

2. This is far from straightforward. Debates about how to measure poverty have been going on for many years. Experts in the field differ in their views and a range of approaches has been adopted internationally. We have sought to learn from these differences and encouraged experts to engage with us in thinking about how theoretical debates can be turned into a practical blueprint for poverty measurement in the UK.

3. Three events have been especially helpful in this regard:

   • a July 2000 workshop, which we co-hosted with the Centre for Analysis of Social Exclusion (CASE) at the London School of Economics (LSE)[1];

   • a November 2001 workshop hosted by the Institute for Public Policy Research (IPPR)[2]; and

   • the launch of *Tackling child poverty: giving every child the best possible start in life* in December 2001[3].

4. The feedback from these events, and from commentators more widely, is that poverty is about much more than just low income at one point in time. This supports the multi-dimensional indicators approach in our annual *Opportunity for all* reports[4]. However, at the same time some commentators have highlighted the merit in having a single measure to monitor progress towards the eradication of child poverty.

5. This consultation paper is for anyone who is interested in measuring progress in tackling child poverty. There is clearly an important debate to be had on this issue and we would now like to hear your views more formally.

Geographical scope

6. This paper seeks views about a long-term measure of child poverty for the UK Government. However, the provision of services for children in Scotland, Wales and Northern Ireland,

such as education and health, are generally matters for the Devolved Administrations. Consequently, references in the paper to the information and statistics for these services apply to England only. However, the discussion on the four suggested ways of measuring child poverty briefly outlines how the indicators would work across the UK.

How to respond

7. Please send your responses on the enclosed form to:

   The Child Poverty Measurement
   Consultation Team
   Department for Work and Pensions
   Room 521
   The Adelphi
   1–11 John Adam Street
   London WC2N 6HT

8. Copies of the consultation document and response form can also be found at: http://www.dwp.gov.uk/consultations/2002

   You can also send responses using the electronic form to the following e-mail address: pov@dwp.gsi.gov.uk

   Comments should be received by **10 July 2002.** We will acknowledge receipt of your comments.

What will happen next?

9. Responses will usually be available to the general public unless you specifically ask us to keep your views confidential.

10. We hope to host events to discuss the issues outlined in the document and will announce further details in due course.

11. We expect to make known our preliminary conclusions later this year. Further technical work, involving experts in this field, will be necessary before finalising the precise details of any new measures.

Our starting point

12. This section summarises our strategy for tackling child poverty and our current approach to monitoring progress. It then discusses the challenge we face and highlights some international approaches to poverty measurement.

Child poverty

13. By the mid-1990s, the UK had one of the highest proportions of children living in low-income households among the member countries of the Organisation for Economic Co-operation and Development (OECD)[5] and more than double the level two decades earlier (see chart)[6].

14. Low income is a key aspect of child poverty. It influences outcomes not only during childhood but also into adulthood. It will therefore remain a central part of any long-term poverty measure.

Percentage of children living in low-income households

Source: *Family Expenditure Survey* 1979–1993/94, *Family Resources Survey* 1994/95–2000/01.
Note: Low income is defined as below 60 per cent of contemporary median equivalised household income.

15. The length of time spent in low income is also important, with those suffering longer spells finding it more difficult to move out of low income and being more likely to suffer adverse outcomes. Research shows that most people entering low income could expect to suffer relatively short spells, but a significant minority remains in low income for longer spells. Movements in and out of low income are associated with key trigger events, such as entering or leaving the labour market, the birth of a child or marital breakdown[7].

16. However, other influences also matter, such as neighbourhood environments, lack of opportunities to acquire knowledge and skills, and inequalities in health. Those living in poorer neighbourhoods often have to put up not only with a rundown physical environment and limited opportunities, but also the worst public services, including education, health and housing.

17. A growing body of research indicates that children's life chances are affected by the circumstances in which they grow up as well as by their own talents and efforts.

    • Poverty in childhood increases the likelihood of low income in adulthood. There is a strong association between children's subsequent earnings and those of their parents[8]. Those who grow up in poor families are more likely to be economically inactive in young adulthood. This is particularly true of those who experienced poverty either in pre-school years (ages 0–5) or in adolescence (ages 11–15)[9].

    • There is evidence of a strong relationship between parental income and early childhood educational attainment. Early age test scores are positively correlated with subsequent economic success[10].

    • Boys growing up in poor families are more likely to have contact with the police than those who are not from poor families. Contact with the police during childhood is one predictor of outcomes during adulthood[11].

    • Children from poor families have lower expectations about their future[12].

    • Children who grow up poor are more likely to have lower self-esteem, play truant and plan to leave school at age 16[13]. Individuals who leave school with low levels of educational attainment are at higher risk of experiencing social exclusion as adults and have significantly lower lifetime earnings[14].

    • There is a clear intergenerational transmission of poverty through worklessness. Those people growing up in a family experiencing unemployment are about twice as likely to have prolonged spells themselves. Those from poorer backgrounds are significantly more likely to end up not in work than those with higher income fathers[15].

18. Action to tackle child poverty must therefore raise the incomes of the poorest families and invest in high quality public services to enable children to reach their full potential as adults to break the cycle of poverty and disadvantage. And extra resources need to be targeted at neighbourhoods that need most help – it is our aim that within 10 to 20 years no one should be seriously disadvantaged by where they live[16].

19. Eradicating child poverty is a significant and demanding undertaking. We know that it will take time, but we have already taken significant steps. The following box highlights key policies we have introduced since 1997 to tackle child poverty.

Making a difference

Since 1997 we have made important inroads into the problems of poverty and social exclusion that too many children in this country were facing. We have put into place a comprehensive strategy to improve the living standards of today's poorest children and to break the cycle of disadvantage so that future generations will not grow up in poverty.

At the centre of our strategy is the belief that, for most families, work is the best route out of poverty. A stable and growing economy is important. And our active labour market policies, such as the New Deals and policies to improve adult skills, are ensuring that parents have more help than ever before in their search for work. And policies such as the Working Families' Tax Credit and the National Minimum Wage ensure that families are better off when they get into work. The Working Families' Tax Credit, worth an extra £35 a week on average when compared to the old Family Credit, is benefiting nearly 1.3 million families with 2.5 million children.

Alongside making work pay we are helping all families with children through the tax and benefit system, in particular targeting help at those who need it most, when they need it most. For example:

- we have increased the child allowances in Income Support and other income-related benefits, with rates for children aged under 11 rising by 80 per cent in real terms;

- as a result of personal tax and benefit reforms announced in the last Parliament, families in the poorest fifth of the population are now on average £1,700 a year better off compared to 1997; and

- the Sure Start Maternity Grant paid to recipients of Income Support, income-based Jobseeker's Allowance, Disabled Person's Tax Credit and Working Families' Tax Credit, increased to £500 for each child in April 2002, up from £300.

Budget 2002 takes further steps to tackle child poverty, in particular through the new tax credits. Details of rates and thresholds are set out in Budget 2002.

We recognise that if we are to improve the quality of life for all children and young people, we must marry measures to improve family incomes with increased investment in services. Improving public services for children and their families, regardless of where they live, remains at the core of our agenda for change.

All children deserve the opportunity to benefit from a high quality education. Providing children with a high standard of education, irrespective of family background and where they live, is essential and underpins our central strategy to tackle the root causes of poverty. We are investing record amounts in education and have schemes in place to help schools in the most deprived areas. We have increased investment in both housing and the health service. Whilst these investments are long-term plans to ensure that our public services are fit for the twenty-first century, we have linked them to short-term targets to ensure continuous improvements. We are already seeing results and will build on this progress.

- We have introduced our Sure Start programme in deprived areas to help ensure that children in these areas receive the best possible start in life and are not already disadvantaged by the time they start school. By 2004 there will be 500 Sure Start areas up and running.

- There have been significant improvements in educational attainment for all age groups. In particular, the proportion of 11-year-olds achieving the expected standards in literacy is up from 63 per cent in 1997 to 75 per cent in 2001, and in numeracy from 62 per cent to 71 per cent. The number of children permanently excluded from school has fallen from 12,700 in 1996/97 to 8,300 in 1999/2000.

- Housing is an important element of tackling poverty and social exclusion. We have begun to address the huge backlog in repairs in social housing, and we are on course to bring all social housing up to set standards by 2010. Between 2001 and 2004, we will reduce by one third the number of households living in social housing that does not meet these standards. This work will complement programmes in health, education and crime.

- Making the transition to adulthood is often a difficult time for young people. As part of our strategy we will put in place the help needed to make the transition a success. Building on the work of the Social Exclusion Unit we have implemented programmes to help tackle the problems of youth crime, homelessness, drug misuse and teenage pregnancy. And the most recent data shows an encouraging fall in the teenage conception rate.

- Over the next few years, we will continue to overhaul the child support system, introduce the Child Tax Credit, increase our investment in education, health and housing, and roll out the Children's Fund and the Connexions service to help young people make the transition into adulthood.

How we currently monitor progress

20. In September 1999 we published our first annual *Opportunity for all* report setting out our strategy to tackle poverty and social exclusion. This was the first time a UK Government had produced an annual poverty report with indicators of progress. The report included 13 indicators to monitor our progress in tackling child poverty. We use clear criteria to review these indicators regularly and now track our progress against 15 indicators[17].

Opportunity for all indicators

Improving family incomes by tackling worklessness and increasing financial support for families

- Children in workless households
- Low income (relative, absolute and persistent low income)

Investing in the crucial early years and education to break the cycle of disadvantage

- Key Stage 1 (7-year-olds) attainment in Sure Start areas
- Key Stage 2 (11-year-olds) attainment
- 16-year-olds with at least one GCSE
- 19-year-olds with at least a Level 2 qualification
- Truancies and exclusions
- Educational attainment of children looked after by local authorities

Improving the quality of the lives of children and young people

- Housing standards
- Infant mortality
- Smoking rates for pregnant women and children aged 11–15
- Serious unintentional injury
- Re-registrations on the Child Protection Register

Supporting young people in the transition to adult life

- Teenage conceptions and teenage parents in education and employment
- 16–18-year-olds in learning

21. This set of indicators captures the many different aspects of poverty and social exclusion for children and young people. However, we acknowledge that it is difficult to summarise overall progress using such a comprehensive set of indicators. Therefore in our second annual *Opportunity for all* report we highlighted a smaller set of child poverty headline indicators: low income, worklessness, educational attainment, health inequalities and housing standards. In the third annual report we included a table of trends to provide a summary of progress.

Public Service Agreement targets

22. As part of Spending Review 2000 we set a number of Public Service Agreement (PSA) targets including the following which will contribute to progress in tackling child poverty[18]:

    • to make substantial progress towards the eradication of child poverty, by reducing by a quarter the number of children in low-income households (below 60 per cent of contemporary median equivalised household income) by 2004 (Great Britain);

    • to reduce the number of children in households with no one in work over the three years to 2004 (Great Britain); and

    • to ensure that all social housing meets set standards of decency by 2010, by reducing by a third the number of households living in social housing that does not meet these standards between 2001 and 2004,

with most of the improvements taking place in the most deprived local authority areas as part of a comprehensive regeneration strategy (England).

23. The Secretary of State for Health announced two health inequality PSA targets in February 2001, one relating to children:

    • starting with children under one year, by 2010 to reduce by at least 10 per cent the gap in mortality between manual groups and the population as a whole (England).

24. On 13 March 2002, the Secretary of State for Education and Skills announced new targets for literacy and numeracy beyond 2002:

    • to increase the percentage of 11-year-olds who achieve Level 4 in the Key Stage 2 English and mathematics tests to 85 per cent by 2004; and

    • to close the achievement gap between different parts of the country by expecting all local education authorities to have at least 78 per cent of their 11-year-olds at Level 4 or above in English and mathematics by 2004 (England).

25. PSAs provide clear commitments to the public and each agreement sets out explicitly which Departments are accountable for delivering the targets. This paper does not seek views on these PSAs, which we are committed to deliver.

The challenge we face

26. Our current approach to measuring poverty presents a key challenge, which underlies this consultation.

27. This was summarised by Lisa Harker, Deputy Director of the IPPR[19]:

    "There are a range of indicators of poverty and social exclusion set out in the Government's annual report *Opportunity for all*. This is important for a number of reasons … On the other hand a single indicator is appealing because of clarity. A headline or priority indicator is needed in order to monitor progress towards the pledge to eradicate child poverty. In the absence of any other measure the *Households Below Average Income* measure will be used by politicians, the media and others as the principal measure of progress towards reducing child poverty … The headline indicator would need to be supplemented by other measures in order to capture broader aspects of deprivation and social exclusion."

28. In the absence of a single measure of child poverty, the relative low-income measure receives most attention. But relative low income has some drawbacks as an exclusive long-term measure of child poverty. These were well summarised by Professor John Hills, Director of CASE and Professor of Social Policy at the LSE, at the IPPR conference in November 2001. While accepting that perceptions of poverty are largely relative, he identified as problems:

    • particular cut-offs (for example, 60 per cent of median) are largely arbitrary;

    • 'income' can be defined in many different ways;

    • 'depth' of low income matters (to take account of how far below the low-income line people fall) as well as head counts;

    • persistence (a long spell in low income) matters;

    • low income and deprivation overlap but are not identical; and

    • the 'relative low-income paradox' – at times when incomes in general are rising unusually rapidly (for example, in the economic boom in Ireland during the 1990s), public views of what constitutes poverty may not rise as fast. At such times, the numbers of people with relative low income may rise, even though real living standards for the poor are increasing significantly. The opposite can happen in a recession (for example in some Central European countries, such as Hungary or Poland, in the first half of the 1990s) when a relative low-income threshold can fall, even though public views of poverty have not changed[20]. Consequently, the number of people in relative low-income may fall, giving the impression of progress, at a time when real living standards are not improving.

29. These comments indicate the importance of a broad range of indicators with income at their heart. However, with multiple measures it is difficult to track overall progress clearly.

30. The challenge that we must meet is to find the right balance between the desire for clarity, which argues for one clear headline indicator, and comprehensiveness, which argues for a broader range of indicators. International and UK experts advocate different approaches to achieve this balance.

International experience

31. Before moving on to specific consultation options for the UK, it is worth reflecting on the measures that have been adopted internationally.

The United States official poverty line

The US Government adopted the official poverty line in 1968 drawing on research by Mollie Orshansky[21]. She determined a minimum food budget for a family of four and noted that this amounted to around a third of family expenditure. The food budget was therefore multiplied by three to obtain the overall minimum budget, and those with incomes below this were counted as poor. Since then the US poverty line has been uprated in line with prices. It is therefore an absolute measure, with a fixed real value, that has not taken account of changing consumption needs. By the mid-1990s the poverty line had fallen to an equivalent of less than a third of median household income.

A recent review of the official poverty measure convened by the National Research Council suggested that it should be revised to reflect not only price change, but also changes in the consumption of basic necessities[22]. Using that report as its start, in 1999, the Bureau of the Census issued an 'experimental' new version of poverty figures[23]. However, changing the US poverty line is not a straightforward matter. Because the funding of many social programmes is linked to poverty rates methodological changes would have different financial implications for different States[24].

32. In contrast to adopting a single absolute poverty measure, Member States of the European Union (EU) have agreed a multi-dimensional range of indicators. In the domain of low income, Eurostat has adopted a relative measure (based on 60 per cent of contemporary median equivalised income before housing costs) as an indicator to compare Member States of the EU. Other indicators of low income, such as persistent low income and distribution of income have also been agreed by the EU.

Measuring poverty and social exclusion in the European Union

During 2001 the indicators' sub-group of the EU's Social Protection Committee worked to produce a set of commonly agreed indicators of poverty and social exclusion for Member States of the EU. In December 2001, the report of this group was endorsed by the Laeken European Council[25].

These indicators focus on social outcomes rather than the means by which they are achieved. Because of the decision to select a large number of indicators to properly assess the multi-dimensional nature of poverty and social exclusion, the indicators are prioritised into three levels.

- Primary indicators would consist of a restricted number of lead indicators.

- Secondary indicators would support the lead indicators and describe other dimensions. Both primary and secondary indicators would be commonly agreed and defined indicators, used in future National Action Plans.

- A third level of indicators would be selected by Member States themselves to support the primary and secondary indicators or highlight progress in particular aspects of poverty and social exclusion.

The primary and secondary indicators encompass different measures of low income, employment, educational attainment and health outcomes.

33. The EU indicators will, however, be most useful at facilitating comparison between the different Member States. This does not preclude the development of other purely national indicators tailored to best monitor the situation in the UK.

34. The Irish Government has adopted a different approach to measure poverty, which combines relative low income and material deprivation into a concept of 'consistent poverty'.

The Irish Government's anti-poverty target

The Irish Government has framed its official headline poverty target in terms of a measure of 'consistent poverty' developed at the Economic and Social Research Institute (ESRI), Dublin. People who are 'consistently poor' suffer both low income (in a relative sense) and material deprivation. This headline indicator is also supplemented by a set of indicators capturing the wider aspects of poverty, such as education.

The Irish Government bases its choice of deprivation indicators on an analytical technique called factor analysis. This uses statistical analysis to establish a cluster of deprivation indicators that correlate well with what we mean by being 'poor'. This analysis does not attempt to list all the items that people should have in order to avoid poverty. Instead it seeks to identify a set of key items that can be used to identify those who suffer material deprivation and have low incomes. The items identified by the analysis as acting as a proxy for material deprivation in Ireland are:

- unable to afford new (not second-hand) clothes, two pairs of shoes, meat, chicken, fish every second day, warm overcoat, roast once a week;

- went without substantial meal;

- went without heating; and

- in debt/arrears to meet ordinary living expenses.

People are classified as deprived if they go without at least one of these basic items because they want it but are unable to afford it. Not having an item because of choice would therefore not constitute deprivation[26].

Professor Brian Nolan, Research Professor at the ESRI in Dublin, discussed the Irish Government's poverty targets at workshops in London in 2000 and 2001[27].

The following data compares movements in 'consistent poverty' counts with absolute and relative low income counts for Ireland.

	1987	1994	1997	2000
Relative low income	19%	21%	22%	26%
'Consistent poverty'	16%	15%	10%	6%
Absolute low income	–	15%	8%	3%

Note: Relative low income is measured below 50 per cent of contemporary mean. 'Consistent poverty' is measured as income below 60 per cent of contemporary mean and suffering material deprivation as described. Absolute low income is measured using 1994 as the base year and uprating the 1994 low-income threshold by prices (rather than incomes) to obtain the low-income thresholds in 1997 and 2000.

These figures highlight apparently paradoxical results of a relative low-income measure of progress during the sort of economic boom experienced in Ireland. Because incomes at the bottom of the distribution have not kept pace with the average, the relative low-income indicator does not reflect the substantial material gains among those on low incomes. In contrast, the absolute low-income measure shows progress between 1994 and 2000, and the 'consistent poverty' measure captures progress in tackling deprivation over the same period.

Consultation options

35. This section sets out options for a long-term measure of child poverty for the UK Government. Before looking at options on which we wish to consult we set out the desired qualities of a long-term measure of child poverty.

What makes a good indicator?

36. A detailed discussion of the underlying principles of poverty and social exclusion indicators is found in the 2001 report by Professor Sir Tony Atkinson and colleagues[28]. Professor John Hills suggests that official measures should satisfy four criteria: political credibility; policy credibility; public credibility; and technical credibility[29].

37. Drawing on these papers a good measurement approach should aim to:

   • encompass the different dimensions of child poverty;

   • be readily summarised where appropriate so that overall progress can be identified and explained;

   • be based on child outcomes rather than processes – for example, the number of children living in households where no adult works rather than the number of lone parents being helped to find work through the New Deals;

   • be unambiguous in interpretation – if policies are working there should be an improvement in the indicator; and

   • have longevity, being relevant now and to track long-term progress.

38. In addition, the detailed indicators and statistics that lie behind any approach should be:

   • timely;

   • open and robust to statistical scrutiny from experts;

   • be credible with the public;

   • be capable of generating a long-term robust time series;

   and if possible:

   • be capable of disaggregation by group and by locality; and

   • be internationally comparable.

39. Whilst these are ideal qualities of a long-term child poverty measure, some may be difficult to achieve at the same time. For example, a comprehensive approach may not be readily summarised. The most sophisticated statistics that capture the most important aspects may not be the most timely. The most robust measures nationally may not be readily available for smaller areas.

40. In practice it is possible that we may need to compromise and find an approach that satisfies most of these criteria.

41. However, it is important to consider this paper in the context of the wider Government strategy for children and data development. As a response to the Policy Action Team 18 report, the Neighbourhood Renewal Unit in partnership with the Office for National Statistics, central government departments and the Local Government Association is taking forward work to improve data for small areas. This initiative aims to enable more effective identification of deprived areas, thereby ensuring that Government action, centrally and locally, is appropriately focused and monitored[30]. This data and subsequently developed indicators will complement national measures.

42. And in *Building a Strategy for Children and Young People*[31], the Children and Young People's Unit (CYPU) consulted about a framework for monitoring outcomes for children and young people. The outcomes were provisionally grouped into six key areas: health and well-being; achievement and enjoyment; participation and citizenship; protection; responsibility; and inclusion. The conclusions of this consultation will complement the work already being taken forward by the CYPU.

43. Having considered the criteria on page 19, we welcome your views on the following four approaches to measuring child poverty:

   • Option One – multi-dimensional headline indicators;

   • Option Two – a child poverty index;

   • Option Three – a headline measure of 'consistent poverty', combining relative low income and material deprivation; and

   • Option Four – a core set of indicators of low income and 'consistent poverty'.

44. The first approach draws closely on the existing *Opportunity for all* indicators, and subsequent approaches build on this or would require the development of new measures. You may have other ideas about how we should measure poverty and we would also be interested to hear about these approaches. Whichever approach you favour we would like you to consider the following key issues.

What key aspects should a long-term measure of child poverty capture? Does your preferred measure capture them?

Do you agree with the criteria set out on page 19? Does the approach you favour satisfy most of these criteria?

Option One – multi-dimensional headline indicators

45. We could refine our existing approach. In the second *Opportunity for all* report published in September 2000, we highlighted five headline indicators in, what we consider to be, key areas:

    • low income;

    • worklessness;

    • educational attainment;

    • health inequalities; and

    • housing standards.

46. These headline indicators are linked to PSA targets, which quantify the improvements to be achieved by 2004 or 2010 (see page 14). We are committed to deliver the resources to meet these PSA targets and are not consulting on them. But we could now think about how a set of headline indicators might be used to monitor child poverty in the longer-term.

Advantages

47. The headline indicators aim to capture the different aspects of poverty and social exclusion that affect children's lives. The indicators measure outcomes rather than processes. They capture dimensions that affect current living standards and factors that are likely to lead to worse outcomes during adulthood. The approach of using a range of indicators to monitor progress, and prioritising some as lead indicators is consistent with the approach agreed by Member States of the EU (see pages 16 and 17).

48. The headline indicators approach is based on existing data sets with established baselines and historical time series. The indicators provide transparent measures of progress in particular aspects of poverty.

49. This approach works well to distinguish between devolved and reserved matters. Some of the headline indicators, such as low income and worklessness, would extend to Great Britain as a whole. Other indicators relate to England only.

Challenges

50. The headline indicators approach does not produce a single figure to track progress. In the absence of a single measure it is difficult to decide how long-term success would be measured using multiple indicators.

Option Two – a child poverty index

51. A child poverty index could be used to reduce the headline indicators of Option One into a single measure. Such an index would assign weights to each individual indicator and combine them into a single composite measure. Changes in the indicators could then be translated into proportional changes in the index. Analysis of each individual indicator would still be important to understand where progress has been made.

52. The use of summary measures to track progress was discussed at the then Department of Social Security and CASE workshop in July 2000. An analysis of the advantages and disadvantages of

this approach were presented in papers by John Micklewright (Head of Research at the UNICEF Innocenti Research Centre, Florence) and Helen Barnes (now at the Policy Studies Institute)[32].

53. A child poverty index could provide a single measure of progress. Perhaps the most well-known index in a similar field (though designed for a different purpose) is the United Nations Development Programme's Human Development Index.

The Human Development Index

Extracts from John Micklewright's paper:

"I don't think anyone would seriously suggest that progress in realising the UK Government's commitment to reduce poverty and social exclusion should be measured only by a composite index – a single number summarising all aspects of these two problems. At best, an index could complement the presentation of a range of separate indicators and my comments on the subject of indices should be interpreted in this light …

"it is useful to bear in mind the most obvious example of where an index of well-being has been used to great effect, the United Nations Development Programme's (UNDP) 'Human Development Index' (HDI).

"It is important to note that the HDI has always been seen by its proponents as only the starting point for debate on the progress of human development – as a device to catch the eye and force attention on what lies behind the rankings, i.e. on the separate indicators that go into its construction. Amartya Sen recounts how he was originally a sceptic when confronted with the enthusiasm of the creator of the Human Development Report, the late Mahbub ul Haq, for the use of a composite index. But he was converted when he saw the power of the HDI to channel public interest into the different dimensions of well-being covered by the report and away from the default of falling back on GNP as a summary measure of development (UNDP 1999, p23).

"The HDI is arguably most effective when used to summarise differences among countries rather than differences across time."

Advantages

54. A child poverty index would capture the different dimensions of child poverty. Arguably this approach, by producing a single number that could be used to track progress over time, has presentational and communication advantages. This is well illustrated by the Retail Price Index (RPI), which is used by the Bank of England to monitor inflation. The RPI is calculated using the weights from the Family Expenditure Survey, and components of the index are also published.

Challenges

55. However, as highlighted above, some would argue that it is not meaningful to combine different aspects of poverty and social exclusion, purely to produce a single figure to track progress. There are a number of other issues that could complicate the construction of an index.

    • When constructing an index, choosing the relative importance (weight) of each component is somewhat arbitrary. In particular, direction of movement of an index may not be robust to the choice of weights. And if the individual indicators capture overlapping or correlated factors, such as low income and worklessness, double-counting needs to be considered.

    • It is also necessary to decide the degree of substitutability to allow between the elements that are selected for inclusion in an index.

This issue is distinct from that of weighting. For example, should there be full or partial trade-off between a percentage point improvement in one component with a percentage point worsening of another.

    • The time period measured by data for different indicators varies. For example, low incomes are monitored using data for financial years, workless households are monitored using spring quarter data, educational attainment is monitored using assessments during the academic year.

56. Another challenge relates to the geographical coverage of a child poverty index within the UK. Some of the headline indicators would extend to the UK as a whole, whilst others would not. It might, therefore, be necessary to construct separate child poverty indices for each of Scotland, Wales, Northern Ireland and England. We would need to discuss this possible approach with the Devolved Administrations.

57. In addition to challenges with the construction of an index, there could be problems with interpretation. The trend of an index is only meaningful if all indicators move in the same direction, otherwise improvements in one indicator can be masked by negative movements in others.

Option Three – combining relative low income and material deprivation – 'consistent poverty'

58. Research shows that those who suffer longer spells of poverty will suffer more adverse outcomes than those who are in poverty for short periods of time[33]. In the domain of low income, this idea of persistence is already captured in the *Opportunity for all* indicators, which includes a measure of those in low income in three out of four years. Many would argue that a snapshot of income at a particular moment does not provide the best measure of people's living standards.

59. There are other ways to monitor the idea of persistence. Those suffering relatively short spells of low income may be able to smooth out consumption over a longer time-scale.

Those who suffer longer spells of low income are more likely to go without essential items. This can be monitored using material deprivation measures. These measures establish a selection of items that are 'necessities'. People are then classified as 'deprived' if they go without some of these items because they are unable to afford them.

60. Interest in deprivation indicators has been growing since Townsend's study in 1979[34]. His intention was to develop indicators of objective deprivation to measure when individuals lack an amenity or do not participate in an activity that the majority of the population possess or participate in. An alternative approach was developed by Mack and Lansley in 1985 using socially prescribed necessities as deprivation indicators[35]. They used these to directly identify the poor[36].

The Poverty and Social Exclusion Survey

More recently the Joseph Rowntree Foundation published analysis of the *Poverty and Social Exclusion Survey*[37]. The study largely repeats the 1983 and 1990 *Breadline Britain* surveys, albeit with different sampling methods.

The analysis sought to identify enforced lack of necessities by presenting respondents with a list of items and asking them to distinguish items they thought were necessary in Britain today (i.e. that all adults should be able to afford and not have to go without) and those that were not. They were then asked to sort the same items into three groups: those they had, those they did not have but did not want, and those they did not have and could not afford.

Items were selected into the list of necessities if over 50 per cent of people deemed them necessities. There were 35 items in this basket ranging from beds and bedding, refrigerator, two meals a day to an outfit for social occasions and a holiday away from home once a year. Unweighted deprivation scores were ranked against income to produce a poverty threshold. The authors consequently defined 'poverty' as lacking two or more items.

61. In addition to this and the Irish Government's measure, the work conducted by the Policy Studies Institute using *Families and Children Survey* data provides an alternative illustration of deprivation indicators[38].

Families and Children Survey hardship measure

The *Families and Children Survey* (FACS) started in 1999[39]. It was initially designed to be representative of all lone parent families and low- to moderate-income couples with children. From 2001, the third wave, the survey was extended to be representative of all families with children across the whole income distribution. FACS provides a good source of annually collected deprivation data for families with children in Great Britain. It includes 34 questions covering four areas of spending – clothing, food, leisure and consumer durables. As well as these items, FACS collects information about housing conditions, debts and money management. These are used by the Policy Studies Institute to derive a hardship index within the FACS report.

The FACS hardship measure uses nine indicators covering:

- accommodation and warmth;
- money and debt; and
- material hardship scores for clothing, food, leisure and consumer durables.

Prevalence weightings are assigned to items in the material hardship indicators. Each respondent who cannot afford but wants an item is given a score equivalent to the percentage of families who said they owned the item.

The index was designed to tap into different dimensions of living standards and to identify those with multiple problems and those who are consistently worse-off – in particular to identify differences between those in and out of work and to highlight problems at the lower end of the income distribution.

62. Our current approach to monitoring child poverty in the UK does not include a measure of material deprivation. The Irish Government's headline anti-poverty target incorporates a measure of material deprivation (see pages 17 and 18). This defines people as 'consistently poor' if they suffer *both* relative low income and material deprivation.

63. Currently there is no combined annually collected income and deprivation data for the whole population of Great Britain. The most robust source of income statistics for Great Britain are those published annually in *Households*

Below Average Income[40]. This analysis is based on the *Family Resources Survey* (FRS), which does not currently include deprivation indicators. However, if deprivation indicators were added to the FRS it would be possible to construct a 'consistent poverty' measure in the future.

Advantages

64. Material deprivation measures resonate well with the perception that poverty should encompass some idea of the practical effects that result from low income.

65. It is widely accepted amongst income distribution statisticians that measured incomes do not always reflect living standards, especially at the bottom of the income distribution[41]. This may reflect a range of factors, including: incorrect reporting of incomes; time lags between changes in incomes and living standards; and the influence of non-monetary factors, such as priorities for access to social housing. Arguably a better measure of living standards, at any given point, can be obtained by measuring both low income and material hardship.

66. A 'consistent poverty' measure, combining relative low income and material deprivation, could provide a headline measure to monitor the long-term pledge to eradicate child poverty. As discussed in Option Four, this could sit amongst the set of multi-dimensional *Opportunity for all* indicators that would continue to be used to monitor progress in the other dimensions of poverty and social exclusion.

Challenges

67. The construction of such an indicator would clearly generate debate. The process for deciding items to be included in the deprivation measure would be key. It is also important to consider carefully how the measure might be updated to reflect current needs and how broad the selection of items should be to reflect social and cultural as well as physical needs.

68. There are a number of methodologies that could be used to select deprivation items. One is the statistical approach of factor analysis, which is a data-driven approach to group items according to underlying factors. For example, analysis conducted by ESRI in Dublin shows that data for Ireland clustered into three domains of basic deprivation, secondary deprivation and housing deprivation. The measure adopted by the Irish Government focuses on basic deprivation[42]. A second approach is to ask people which items, in their opinion, are necessary to avoid deprivation and then selecting those which the majority view as necessities[43].

69. Statistical approaches are less transparent than asking people their opinion. However, there are also drawbacks to just taking a majority view. For example, some of the items deemed as necessities by just over half of those asked are still considered not to be necessities by a significant proportion of respondents. It is important to bear in mind that the aim is not necessarily to obtain a comprehensive list of items that people need but to identify a set of items that *indicate* deprivation.

70. Policies underlying some deprivation factors that could be included in this sort of measure are the responsibility of the Devolved Administrations. Therefore, when constructing an indicator of this nature, the details would need to be discussed with the Devolved Administrations.

Option Four – a core set of low income and 'consistent poverty' indicators

71. A 'consistent poverty' measure, as outlined in Option Three, could sit among the existing set of *Opportunity* *for all* indicators (listed on page 13 and discussed in Option One). Long-term progress in child poverty could then be monitored with reference to a core set of low income and 'consistent poverty' indicators.

Core indicators

At the workshop hosted by IPPR in November 2001, Professor John Hills presented an approach to measuring child poverty that builds on the Government's existing approach. This includes three main tests of long-term progress[44]:

• an absolute low-income indicator, fixed in real terms, against which there must be progress;

• a measure similar to that used in Ireland, combining indicators of material deprivation with relative income, to show good progress, particularly during times of fluctuating growth rates; and

• a relative income measure to take account of rising living standards and changing expectations across society over time. EU monitoring of households below 60 per cent of median income could offer an international benchmark.

As currently set out in *Opportunity for all* there would be indicators of other dimensions, such as employment, education, health and housing.

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72. The UK has a poor child poverty record (measured in terms of low income) compared to OECD countries, falling in the bottom four of a relative child poverty league table, using data for the early and mid-1990s and the bottom six of an absolute child poverty league table[45]. Using international comparisons to provide a benchmark for long-term progress of relative and absolute low income would be one way of presenting progress in context.

73. Because this approach encompasses Option Three, readers are referred to the discussion of the advantages and challenges of constructing 'consistent poverty' measures (pages 25 and 26) as well as the advantages and challenges discussed here.

Advantages

74. This tiered approach would show a gradient of progress, from the absolute low-income indicator through to the relative income measure, to take account of rising living standards over time. The consistent poverty measure could better reflect progress during times of fluctuating growth rates.

Challenges

75. One risk of this approach is that it may not provide a clear single headline figure to track progress. As now, it is likely that there will continue to be greater lags in producing internationally comparable low-income data than national data. This will delay the ability to make international comparisons of low-income indicators.

Key consultation questions

The options above explore some different approaches to measuring child poverty. In particular, we would like your response to the following questions.

1. What aspects of child poverty should be captured in a long-term measure?

2. Do you agree with the criteria for selecting a good indicator set out on page 19?

3. What do you think is the best summary or headline measure to track long-term progress of child poverty?

4. In particular do you have views on the four approaches?

   • Option One – multi-dimensional headline indicators

   • Option Two – a child poverty index

   • Option Three – a headline measure of 'consistent poverty', combining relative low income and material deprivation

   • Option Four – a core set of indicators of low income and 'consistent poverty'

5. Does the approach you favour capture the factors you listed in response to question 1 and satisfy most of the criteria that you have highlighted in response to question 2?

6. Do you have any particular views on the geographical coverage within the UK of the four approaches?

Details of the consultation arrangements can be found on page 8 and on the enclosed response form.

Glossary

Absolute low-income indicators monitor progress against a fixed real-terms low-income threshold. In the *Opportunity for all* indicators the low-income thresholds (50, 60 and 70 per cent of median and 40, 50 and 60 per cent of mean) are fixed at 1996/97 levels. The low-income thresholds for subsequent years are then obtained by uprating these thresholds by prices (rather than incomes).

Consistent poverty is the definition elaborated by the Economic and Social Research Institute, Dublin, and used in the Irish National Anti-Poverty Strategy. It identifies as poor those households that are below the relative income threshold and are also experiencing basic deprivation (enforced lack of one or more items in the basic deprivation dimension – *see Factor analysis*).

Material deprivation consists in the enforced lack of items identified as necessities. The absence is enforced in the sense that it is due to lack of resources rather than a matter of choice.

Factor analysis is a statistical technique that seeks to cluster variables (in this instance, deprivation items) according to a limited number of underlying factors. In this way, for example, the Irish Economic and Social Research Institute was able to identify three different dimensions of deprivation, i.e. basic, secondary, and housing deprivation, and to group the deprivation indicators accordingly.

Persistent low income refers to a situation whereby households remain below the low-income threshold over a prolonged period of time. In *Opportunity for all* persistent low-income indicators measure the proportion of children, working-age adults and pensioners who have lived in households with low income in at least three out of four years, based on a before housing cost measure for 60 and 70 per cent of median income.

Relative low-income indicators measure the percentage of the population whose income is lower than a certain proportion of average income. In *Opportunity for all* the relative low income thresholds used are 40, 50 and 60 per cent of mean income and 50, 60 and 70 per cent of median income, based both on before and after housing costs measures.

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