

COMMITTEE FOR
THE OFFICE OF THE FIRST MINISTER AND DEPUTY FIRST MINISTER:
INQUIRY INTO CHILD POVERTY

THE MEASUREMENT OF SEVERE AND PERSISTENT CHILDHOOD POVERTY

INTRODUCTION

This short briefing paper is intended to assist the Committee in its inquiry into childhood poverty within Northern Ireland (NI). The paper looks at some of the current approaches to the measurement of child poverty that are used in the UK today by government and others working in the area. It is not intended to be an exhaustive and in-depth account of all the work that has been done in this area, however, the paper aims to indicate some of the complexities in measuring such social phenomena as child poverty.

WHAT IS POVERTY?

There is no straightforward and generally agreed definition of poverty. Poverty is seen today as a multi-dimensional issue and understood by many as the inability to participate in society - economically, socially and culturally. The measurement of poverty is as complex as its definition. Researchers on poverty have been engaged in the formulation of new measures that take into account its many dimensions. Most would agree that the measurement of poverty must go beyond assessing how much income a person or family has, as it is understood that looking at income alone can miss significant aspects of what it means to be poor.

WHAT IS CHILD POVERTY?

In 1999 the UK government pledged the eradication of child poverty by 2020. Interim targets were set; these were a reduction by a quarter by 2004 and a half by 2010¹. At this point in time government's definition of child poverty referred to children living in households with less than 60 per cent of the 'average' (median) income. The starting position or baseline for the UK was 4.2 million children in poverty (after housing costs) and 3.1 million (before housing costs).

In 2003 the UK government carried out a consultation about how child poverty should be measured. As a result government broadened its definition of child poverty to include children living in households experiencing material deprivation. (This did not affect its original PSA target on child poverty which referred to the number of children living below the 60% of median income threshold.)

¹ Service Delivery Agreement for the Department for Work and Pensions
http://www.dwp.gov.uk/publications/dwp/2002/sda/oct/tn_oct.asp

HOW IS CHILD POVERTY MEASURED?

This section of the paper briefly describes the current UK official measures of child poverty. Examples of each of the measures are presented showing what they can reveal about the UK government's progress in meeting its child poverty targets. Some recent figures for child poverty in Northern Ireland are summarised. This is followed by an outline of some independent research on child poverty in the UK and NI.

UK government measures

The Department for Work and Pensions published new child poverty measures in 2003 in *Measuring Child Poverty*²; these came into effect from 2004/05. Government believed this would provide a more effective long term approach to the measurement and monitoring of child poverty. The new measures use a set of inter-related indicators or 'tiers' to capture different aspects of poverty. According to *Measuring Child Poverty* this new composite measure will show that poverty is falling when all three indicators are moving in the right direction. The three tiers are:

- Absolute low income
- Relative low income
- Material deprivation and low income combined

1. Absolute low income thresholds – the 'fixed' poverty line

This measure determines the number of children in families with incomes below a defined 'fixed' monetary value or 'threshold'. Government maintain that this measure will help to ascertain whether the poorest families are experiencing a rise in income in real terms.

Absolute low income³ is measured using a fixed or set poverty line. For example, the fixed poverty line for a couple with two children was set at £210 per week which was 60% of the 'average' (or median⁴) weekly income in 1998/99. The fixed poverty line does not move from year to year - it is held constant in real terms⁵. The UK government's annual statistics show progress relative to this fixed amount. What should be observed in the statistics (if poverty is being alleviated) is that the proportion below the fixed threshold is moving downward over time – and (as a move upward is less likely) it is the *rate of movement* downward that is of interest rather than its direction.

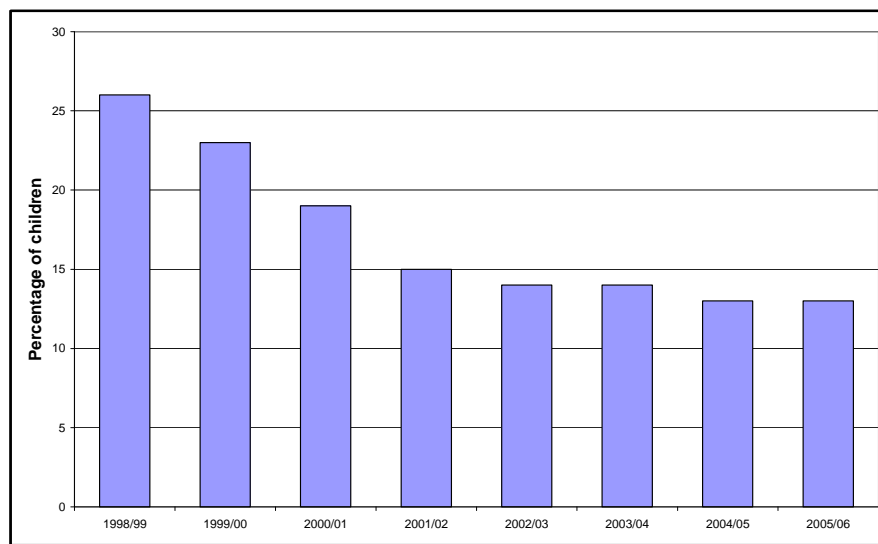
² *Measuring Child Poverty*. Department of Work and Pensions. 2003
http://www.dwp.gov.uk/ofa/related/final_conclusions.pdf

³ This term comes from the UK government's *Households Before Average Income* (HBAI) reports and is distinct from, and should not be confused with concepts of absolute poverty defined in terms of minimum or subsistence requirements.

⁴ The median is the middle value in the distribution of incomes. It is not the same as mean income but can be thought of as approximating to the 'typical' or 'average' household. Unlike the arithmetic mean the median is not affected by very high incomes.

⁵ It is, however, adjusted year by year to allow for rises in inflation

Figure 1. 'Fixed' poverty line measure – UK



SOURCE: HOUSEHOLDS BELOW AVERAGE INCOME 2005/06⁶

Figure 1 shows the progress in the UK using the fixed poverty line measure. The chart confirms the proportion of children below the threshold moving downward over time - from 26% to 13%. The rate of change was greatest between 1998/99 and 2001/02, and slowed thereafter.

2. Relative low income thresholds - the 'relative' poverty line

This measure also assigns a monetary value or 'threshold' as a cut off point below which people or families are deemed to be living in poverty. The difference between this measure and the last is that the *threshold can change* from year to year - as the population becomes better (or worse) off. The official UK 'relative threshold' for child poverty is 60 per cent of the 'average' or 'typical' household income⁷ for that year (before housing costs). For example, in 2004/05 the relative threshold was £268 per week for a couple with two children; in 2005/06 the threshold was £300 per week. A family with a couple and two children would therefore be defined as poor in 2005/06 if living on less than £300 a week.

2005/06 - 60 per cent thresholds in the UK:

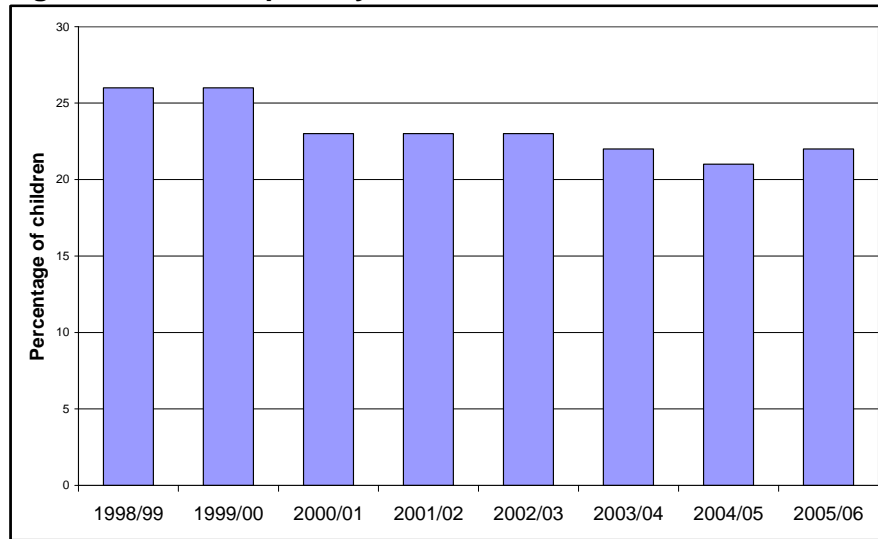
- £ 108 per week for a single adult
- £ 186 per week for a couple with no dependent children
- £ 223 per week for a single adult with two dependent children
- £ 300 per week for a couple with two dependent children

⁶ Department of Work and Pensions
<http://www.dwp.gov.uk/asd/hbai.asp>

⁷ Otherwise known as 'contemporary median household income' (before housing costs). Household income is equivalised (adjusted) to take account of the number of adults and children in the household.

Relative poverty lines are based on the view that poverty should be assessed in relation to (*relative to*) the standard of living in a country. The measure is specifically designed to show whether the poorest families are keeping pace with the growth of incomes in the economy as a whole. In theory, the proportion of children falling below the threshold should be shrinking year on year.

Figure 2 'Relative' poverty line measure - UK



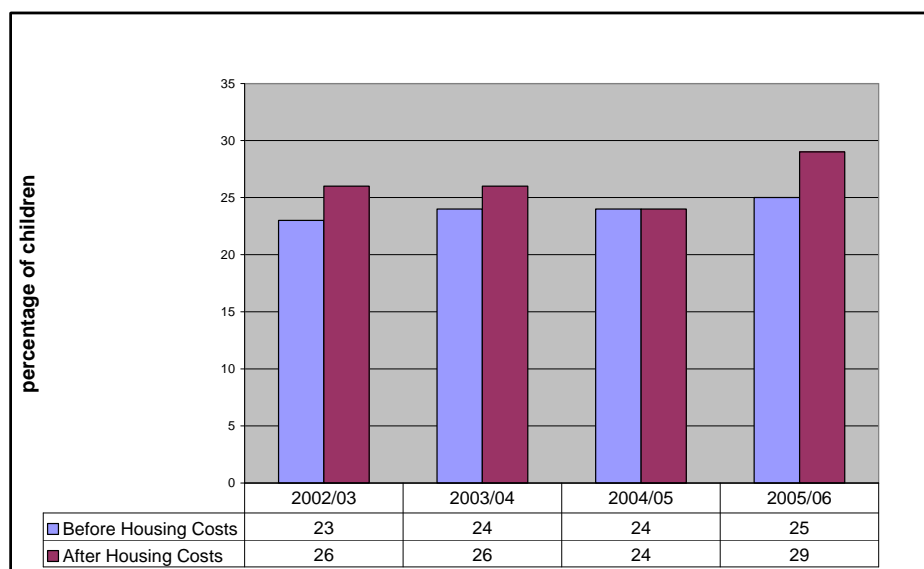
SOURCE: HOUSEHOLDS BELOW AVERAGE INCOME 2005/06⁸

Figure 2 shows progress in the UK using the relative poverty line measure. Between 1998/99 (the baseline for the UK Government’s PSA target) and 2005/06 the proportion of children in the UK living in households below the poverty threshold declined very gradually – an overall reduction of five percentage points by 2004/05 from 26% to 21%. There then occurred a one percentage point increase in 2005/06 to 22%. A further 9% drop in the next five years is needed if the target of halving child poverty by 2010 is to be met.

The reason why a 60 per cent of median income threshold is used is because this is the cut off used to monitor child poverty in the EU and allows for comparisons across Member States.

Figure 3 Relative poverty line – percentage of children living below 60% threshold, Northern Ireland 2002/03- 2005/06

⁸ Department of Work and Pensions
<http://www.dwp.gov.uk/asd/hbai.asp>



The Family Resources Survey was extended to cover NI in 2002/03. Figure 3 above shows progress from 2002/03 to 2005/06 using the relative poverty line measure. The chart includes the poverty figures before and after housing costs. All UK government indicators of poverty relating to the target will define income “before housing costs” (BHC).⁹

3. Material deprivation and low income combined

The material deprivation indicator aims to measure children’s (and their families) living standards. This new measure examines the circumstances of children living in low income households (below 70 percent of contemporary median equivalised income) - which are also materially deprived¹⁰. The material deprivation information is collected through the Family Resources Survey which asks parents a series of questions about the goods, services and household items available to the children and themselves. If they do not have these items, they are asked whether this is because they do not want them or because they cannot afford them. Table 1 below is an example of some analysis for Northern Ireland. These results were published by DSD in its *Households Below Average Income* Report for 2005/06¹¹.

⁹ Commentators on child poverty have drawn attention to important differences in defining poverty and poverty levels using the before (BHC) and after housing costs (AHC) definitions. It is said that AHC measures relate more closely to actual living costs and usually result in higher numbers of people being classed as in poverty and in greater ‘poverty gaps’. The Before Housing Costs measure of net income is taken as the total income from all sources (e.g. earnings, social security benefits, pensions, maintenance payments, educational grants and cash values of payments in kind such as free school meals) for all members of the household, minus income tax, national insurance, pension contributions and maintenance or support payments made to people outside the household. The After Housing Costs measure is measured by deducting certain housing costs from the Before Housing Costs measure. The housing costs include rent, mortgage interest payments (but not principal repayments), and other charges such as water charges and structural insurance premiums. <http://213.86.122.139/glossary.jsp>

¹⁰ There has been some debate around the test of ‘material deprivation’ in GB due to its stipulation of a range of social factors contributing to child poverty - including going swimming at least once a month and being able to invite friends to tea once a fortnight. [http://www.politics.co.uk/issue-briefs/domestic-policy/children/child-poverty/child-poverty-\\$366659.htm](http://www.politics.co.uk/issue-briefs/domestic-policy/children/child-poverty/child-poverty-$366659.htm)

¹¹ Table 4.5 HBAI 2005/06 Department for Social Development http://www.dsdni.gov.uk/ch4_children-2.doc

Table 1 Material deprivation amongst children living in low-income households (before housing costs), Northern Ireland, 2005/06

Items and services wanted but can't afford	Below 70% median	All children
Enough money to keep home in decent decor	23%	14%
Hobby or leisure activity	24%	15%
One weeks holiday a year	60%	38%
Have friends/family round for drink/meal once a month	31%	18%
Save £10 a month	58%	34%
Replace any worn out furniture	44%	26%
Replace/repair broken electrical goods	36%	20%
Money to spend on yourself each week	51%	30%
Able to keep accommodation warm enough	10%	6%

SOURCE: FAMILY RESOURCES SURVEY 2005/06

The table demonstrates that significantly higher percentages of children living in low-income, materially deprived households could not afford the items compared with children in households which were not low income and materially deprived. As with the other components in the new 'tiered' measure of child poverty, the UK government has committed to monitoring and publishing these figures on an annual basis.

Child poverty measures in the Republic of Ireland

Ireland's National Anti-Poverty Strategy 2002-2007 contains the following definition of poverty:

People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and other resources people may be excluded and marginalised from participating in activities, which are considered the norm for other people in society.

Ireland, like the UK uses a composite measure of poverty – an indicator of income plus a material deprivation measure. The material deprivation items were chosen by a panel of 'experts' rather than the general public. The National Anti-poverty Strategy includes targets for the reduction of two measures of poverty - these measures are:

- Consistent poverty:
Less than 50 or 60 per cent mean household income plus enforced lack of at least one of eight indicators of 'basic' deprivation.
- Overall poverty:
Less than 50 or 60 per cent mean household income.

Measures of poverty in the EU

At the Lisbon European Council in March 2000, the European Union called for all of its member countries to work towards the eradication of poverty throughout the Union by 2010. The *Laeken indicators*¹² are a set of relative poverty indicators commonly

¹² <http://www.poverty.org.uk/summary/eu.htm>

agreed and used within the European Union to monitor progress in this area. Eurostat carries out and publishes the analysis of the indicators. The relative threshold is set at 60 per cent of median income. This allows comparable statistics on poverty and social exclusion to be published for every EU country. Eurostat, however, goes beyond the 60 per cent threshold and publishes a range of poverty thresholds – for example at 40, 50, 60 and 70 per cent - of both median and mean income.

The Laeken indicators also have an alternative poverty threshold that is “fixed at a point in time”. This means that current incomes are measured against an earlier cut-off threshold (which is updated for inflation).

SEVERE CHILDHOOD POVERTY

This section of the paper briefly considers the topic of severe child poverty - its definition and current approaches to measurement.

What is severe child poverty?

As with child poverty, a precise definition of severe child poverty is hard to arrive at. Many researchers working in the area of child poverty identify severe poverty as very low income in combination with other factors such as material deprivation.

UK Government measures of severe childhood poverty

The *Measuring Child Poverty* paper of 2003 refers to the use of low income thresholds for measuring *depth of poverty*,¹³ however government does not specifically define severe child poverty in this paper or elsewhere. Some commentators have expressed concern about the absence of an explicit measure. In 2004 a report by the House of Commons Select Committee on Work and Pensions¹⁴ recommended that the UK government create an explicit indicator for severe child poverty. The following year an independent study of severe child poverty made similar recommendations saying:

*It is therefore important that eradication of severe poverty be incorporated in official targets, and measures of severe poverty included in the new child poverty measures*¹⁵

Another independent study in 2007 for Save the Children¹⁶ had this to say:

While currently and under its new measures, the government will continue to monitor various dimensions of poverty, including material deprivation, there are no plans to monitor severe poverty.

¹³ *Measuring Child Poverty* DWP 2003. page 16

The paper states government’s position on depth of poverty will be to continue to publish statistics on a range of low income thresholds.

¹⁴ <http://www.publications.parliament.uk/pa/cm200304/cmselect/cmworpen/85/85.pdf>

¹⁵ Magadi and Middleton 2005

¹⁶ *Severe Child Poverty in the UK* Monica Magadi and Sue Middleton. Save the Children. 2007
<http://www.savethechildren.org.uk/en/docs/sevchildpovuk.pdf>

Recently, Save the Children Fund commented again saying:

This government has championed the notion that the first step to changing something is to measure it. Measurement provides a clear focus, an understanding of the problem at hand, and a tool for accountability. Given how many things the government does measure, the lack of a measure of severe poverty is glaring¹⁷.

Independent UK research on severe child poverty – severe poverty measures

In the period following the UK government's announcement (in 1999) of its targets on child poverty, a number of social researchers in the UK have been carrying out independent research on severe child poverty and developing measures which aim to take account of dimensions beyond that of low income.

In the introduction to one such study, the authors explained the background to their research and the concerns that had led them to further investigation in this area:

*Sutherland in 2001 noted that **the income situation of the poorest children may have worsened** following the government's early reforms. Recent evidence from the British Household Panel Survey (BHPS) showed that whereas the proportion of children in non-severe poverty declined significantly after 1997, **there has been no evidence of a corresponding decline in the proportion of children in severe poverty**. This was consistent with findings of a separate study based on the Family Resources Survey (FRS), which observed that the decline in child poverty between 1997/98 and 2003/04 was lower for more severe poverty (below 50 per cent of median income) compared to the proportion below 60 per cent of median income¹⁸.*

Most researchers working in the area of child poverty recommend a severe poverty measure which combines very low income with severe material deprivation. Some of these studies are summarised below.

A study which was published in 2003 - **Britain's Poorest Children: Severe and Persistent Poverty and Social Exclusion**¹⁹ examined persistent poverty using British Household Panel Survey (BHPS) data. It used a combined material deprivation (using Poverty and Social Exclusion survey data) and a low income measure to examine severe poverty. This measure consisted of:

- *Household income poverty - below 40 per cent threshold*
- *child deprivation – when a child goes without items that the majority of parents in the UK believe to be necessary for children, because parents cannot afford them*
- *parental deprivation –when a parent goes without items that the majority of adults in the UK believe to be necessary for adults because the parent cannot afford to provide themselves with the items.*

This important study used three measures of severe child poverty and calculated 8 permutations of poverty. The proportions of children poor on combinations of the

¹⁷ *Living Below the Radar: Severe child poverty in the UK*. Briefing Paper - Save the Children UK May 2007

¹⁸ Monica Magadi and Sue Middleton. Save the Children Fund UK. 2007
<http://www.savethechildren.org.uk/en/docs/sevchildpovuk.pdf>

¹⁹ L. Adelman et al. Save the Children, Centre for Research in Social Policy.
http://www.savethechildren.org.uk/en/54_2299.htm

This study was updated in 2005 by Magadi and Middleton using further waves of BHPS data.

three measures was examined, children poor on all three were defined as severely poor. The study found that 8% of children in Britain were living in severe poverty using 1999 data.

The Bare Necessities: Poverty and Social Exclusion in Northern Ireland (2003)²⁰

This was the first study of poverty in NI which looked at a combination of income and deprivation. A survey was carried out to devise a *consensual* mixed poverty measure – people were surveyed to ascertain the items and activities felt to be necessary for an acceptable standard of living today. Households which were poor on this measure lacked at least three deprivation items and had on average an equivalised household income of £156 per week. The survey found a poverty rate of 37.5% of children in Northern Ireland.

The Bottom Line: Children and severe poverty in Northern Ireland (2004)²¹

This study of severe childhood poverty applied Adelman et al's measure of severe poverty (see above) to Northern Ireland data. It used data from the Poverty and Social Exclusion Survey, Northern Ireland (PSENI) of 2002/03. Children were defined as being in severe poverty if they were poor on all three of the measures. It found that 8% of children in NI were living in severe poverty.

Britain's Poorest Children Revisited: Evidence from the British Household Panel Survey (1994-2002)²²

This research published in 2005 updated the study in 2003 by Adelman et al utilising further waves from the BHPS.

Severe Child Poverty in the UK (2007)²³

This study aimed to identify its own measure of severe child poverty using a combination of existing UK government indicators. It classified children as being in severe poverty, non-severe poverty and not in poverty using the following definitions:

- *Children are classified as being in "severe" poverty if they are in households with very low income (i.e. below 50 per cent threshold), in combination with material deprivation (deprived of both adult and child necessities, at least one of which shows some degree of severity, i. e. two or more items*
- *Those in households below 70 per cent of median income, in combination with some form of adult or child deprivation are classified as being in non-severe poverty.*
- *The remainder are classified as not being in poverty.*

The authors favoured this definition as it uses a measure that is "widely available and supported in policy circles". The study found that 10.2% (1.3 million) of children in the UK are classified as being in severe poverty.

In the report's conclusion, the authors were generally satisfied that their measure is capable of identifying the most disadvantaged children and families.

²⁰ P. Hillyard et al. Published by Democratic Dialogue. Funded by OFMDFM.

²¹ Marina Monteith and Eithne McLoughlin Save the Children 2004

http://www.savethechildren.org.uk/en/54_2296.htm

²² http://www.crsp.ac.uk/publications/britain's_poorest_children.htm

²³ Monica Magadi and Sue Middleton. Save the Children Fund UK.

<http://www.savethechildren.org.uk/en/docs/sevchildpovuk.pdf>

PERSISTENT POVERTY

Poverty can vary in extent, depth and duration. The length of time spent on a very low income can have a significant effect on the person or family in terms of the deprivation they experience. For some, the time spent on low income will be short; some are frequently making the transition in and out of low income over a period of time while others are remaining persistently in low income. It is these aspects that researchers on poverty are increasingly interested in and believe to be as important as headline counts of how many of the population are 'in' or 'out' of poverty.

How does government measure persistent poverty?

The UK government publishes figures on persistent low income. These are contained in its *Opportunity for All* publication. For this analysis low income is defined as below 60 per cent of median income. Persistent low income is defined as being in a low income household in at least three of the last four years. The table below shows that small reductions in persistent low income have occurred over the period 1991 to 2004, although the extent of persistent low income amongst children in GB remains relatively high at 13% before housing costs and 17% after housing costs.

Table 2 Percentage of children living below 60% of median income in at least 3 out of 4 years, GB

Year	Before Housing Costs	After Housing Costs
1991 to 1994	20	25
1994 to 1997	17	24
1997 to 2000	17	22
2000 to 2003	15	19
2001 to 2004	13	17

Source: HBAI 1994/95-2005/06

The information in Table 2 comes from the Family Resources Survey which is a *cross-sectional* survey (it surveys people at one particular point in time). Many researchers maintain that persistent poverty is best measured using *longitudinal* or *panel* data. Panel surveys such as the BHPS (GB) and NIHPS (NI) track a fixed group of individuals or households over time and help to explain movements in and out of poverty. A recent study has endeavoured to develop our understanding of persistent poverty in Northern Ireland using such data sets and is summarised below.

Independent research on persistent poverty in Northern Ireland

Poverty researchers have pointed to a lack of information on the extent and depth of child poverty in Northern Ireland.²⁴ A recent study of persistent and severe child poverty in Northern Ireland²⁵ used panel survey data – the Northern Ireland Household Panel Survey (NIHPS) which enabled analysis of the duration and dynamics of persistent poverty. The survey tracked the same respondents over a

²⁴ *Child and Family Poverty in Northern Ireland*. Eithne McLaughlin and Marina Monteith. 2006
<http://www.ofmdfni.gov.uk/childandfamilypoverty2006.pdf>

²⁵ *Persistent Child Poverty in Northern Ireland : Key findings*
Marina Monteith, Katrina Lloyd, Patricia McKee. Save the Children and Ark. 2008

four year period and in the analysis children were defined as belonging to one of the following five groups:

- No poverty – not in poverty in any of the four years
- Short-term no severe poverty – in poverty in either one or two of the four years but no severe poverty
- Short-term and severe poverty – in poverty in at least one or two of the four years and at least one year in severe poverty
- Persistent no severe poverty – in poverty in at least three of the four years but no years in severe poverty
- Persistent and severe poverty – in poverty for at least three years and at least one year in severe poverty

Early results from this research provide new evidence of the prevalence of persistent and severe poverty in Northern Ireland. Table 3 below reveals that relatively large proportions of children in Northern Ireland have experienced severe and persistent poverty.

Table 3 Poverty type over four years, Northern Ireland

	%
Poverty type	
No poverty	52
Short-term no severe	15
Short term and 1+ severe	12
Persistent no severe	9
Persistent and 1+ severe	13
Base = 550	100

SOURCE: NIHPS 2001-2004

CONCLUSION

In 2006 a study by two NI academics²⁶ evaluated a number of national and international measures of child poverty including the new UK government and non-government measures of child poverty - outlined earlier in this paper. It found that the prevalence of child poverty in Northern Ireland varied from a low of 8% for severe child poverty and 14% using the UK government's new absolute poverty measure to 38% using the consensual poverty measure. The study considered the importance of choice of measure and made some recommendations about how poverty rates in NI should be measured and reported in the future. For example:

- It is better to report and utilise a number of measures of poverty
- Longitudinal data is better than cross sectional data for the measurement of persistent poverty
- Where the government's new 'tiered' measure is concerned – this will produce poverty rates ranging from 14 to 40 per cent depending on the tier

²⁶ Child and Family Poverty in Northern Ireland. Eithne McLaughlin and Marina Monteith. 2006
<http://www.ofmdfmi.gov.uk/childandfamilypoverty2006.pdf>

being used – however what is important is not so much the measure used but that it is *applied consistently* over time points.

- The authors evaluated highly the severe poverty measure which was used in the Save the Children Study of 2004 for Northern Ireland (see page 8). This measure used a combination of a very low income level (less than 40% of equivalised median income) with a range of consensually agreed adult and child deprivation indicators.
- An agreed language and set of definitions should be adopted and enforced in all government publications. This will enable greater participation in the debate by the public sector and general public.