



## **POLICY BRIEF:**

# **MEASURING THE NATIONAL CHILD POVERTY TARGET**

## **Introduction**

In March 1999, Tony Blair pledged to end child poverty within a generation, later clarified as being 2020. On the road to this historic goal, the Government committed itself to cut child poverty by a quarter between 1998/99 and 2004/05, and by half by 2010/11.

However, the Government missed its first child poverty target, and the latest child poverty figures show that child poverty actually rose between 2004/05 and 2005/06. Measures in the 2007 pre-budget review and budget 2008 are estimated to reduce child poverty by 500,000 children but this still leaves a large gap to meet to reach the 2010 target.

## **Government child poverty targets**

### **PSA Delivery Agreement 9: Halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020**

To target action on child poverty, the Government is using the following three indicators over the 2007 Comprehensive Spending Review period:

#### **Indicator 1: the number of children living in absolute low-income households.**

This indicator monitors the number of children living below a particular threshold (60% of median in 1998/99 but adjusted for inflation), this measures whether the poorest families are seeing their income rise in real terms.

#### **Indicator 2: the number of children in relative low income households.**

This indicator monitors the number of children living in households below 60 per cent of contemporary median equivalised household income and captures

the extent to which the incomes of the poorest families are keeping pace with the rising incomes of the population.

### **Indicator 3: the number of children in relative low-income households (measured as 70 per cent of contemporary median income) and in material deprivation.**

The higher income thresholds used in this indicator will include children in families with high unavoidable costs, such as housing, which can adversely impact on living standards and leave people with low disposable income, even if income is above the 60 per cent median income. The Government believes that this indicator will also better capture the extra costs faced by families with disabled children.

### **Key statistics**

- The latest child poverty figures (2005/06) show that child poverty now stands at 2.8 million before housing costs (and 3.8 million measured after housing costs). This means that over a fifth (22 per cent) of children in the UK live in poverty.
- Between 2004/05 and 2005/06 child poverty increased by 100,000 measured before housing costs and 200,000 measured after housing costs.
- Despite the small rise since 2004/05, child poverty has fallen substantially under the present Government. Since 1996/97, child poverty has fallen by 600,000 before housing costs (and by 500,000 after housing costs).
- To meet the (before housing cost) official target to halve child poverty based on relative low income from the 1998/99 position (3.4 million children), child poverty needs to fall by more than a million children (to 1.7 million) by 2010/11.

### **Importance for local authorities**

Central Government remains responsible for reducing child poverty through the national Public Service Agreement (PSA 9) but delivery will mean making best use of the new performance framework set out in *Strong and Prosperous Communities: the Local Government White Paper* to ensure Government Offices, Local Authorities and partners have the flexibility and capacity to deliver the best solutions to meet local needs and to drive up standards to improve the services they provide.

Local authorities are already involved in child poverty through employment, schools, children services, housing, transport and other service areas, tackling child poverty should be a priority because of its short and long term consequences for children and for local areas and because tackling poverty is a key strategy to achieving successes in areas such as health, education and economic development.

Indicator NI 116 ('Proportion of children in poverty') from the National Indicator set maps to PSA 9. Alongside this many of the other indicators, especially around local economy (especially NI 166 Average earnings of employees in the area; NI 151 Overall employment rate; NI 152 Working age people on out of work benefits) are closely linked to the child poverty objectives. In the longer term, activity around

education (especially the 'enjoy and achieve' objectives) and health (especially the 'be healthy' objectives) supports tackling the transmission of poverty between generations.

The national indicator set, from which Local Authorities pick key priorities to focus upon, contains both directly and indirectly relevant indicators for child poverty. Though these are non-statutory the Audit Commission's Comprehensive Area Assessment process will not be limited to only those indicators chosen by the Local Authority, so authorities need to think about child poverty even if they do not chose indicator NI 116.

The same data used to measure the national PSA target does not exist at the local level (see below) but the Toolkit has developed a local indicator based on administrative data which can be used to measure progress (see [data tools](#)).

## Understanding measurement

National measures of child poverty come from analysis of an annual survey, the Households Below Average Incomes survey. Though this survey contains regional breakdowns, it cannot be used at a local level. At a local level other data is available and these can be used to determine milestones ([see Data tools](#))

Household income is important in each national target, households are asked to report incomes, these are adjusted for different need ('equivalisation') because smaller households need less income than large ones to attain the same standard of living.

Income poverty is reported both before and after housing costs - before housing costs means total household income (including any housing benefit as income); after housing costs is the same after deducting housing costs.

The UK Government now uses before housing costs in its measures so it can compare to European data (produced before housing costs). To avoid confusion, however, we use before housing cost data because this forms the basis of the target. However CPAG and *Inclusion* have been critical of the shift away from accounting for housing costs both because this is a better measure of disposable incomes and because accounting for high housing costs helps better understand barriers to work.

To measure whether a household is poor or not poor, equivalised household income is compared to a national threshold ('the poverty line'). The poverty line is derived from a fraction of the median income (mostly 60% of median). This method is widely used in research and policy development in the UK and elsewhere in developed nations.

Both absolute (indicator 1) and relative indicators (indicators 2 and 3) are used. The absolute indicator sets the threshold is set at a point in time (in 1998/99) and increased for inflation but not real incomes growth. The relative indicator sets the threshold 'poverty line' in line with the real incomes reported in the year in question.

National government also measures material deprivation (indicator 3). Families are asked if they have a set of items (and if they could afford them). Where families don't have and can't afford items, a score is added for each item (according to how

common having the item is - if most have it, the lack of it is thought more important) and these are summed for those items families lack and say they cannot afford).