

## Children in Poverty

### Introduction

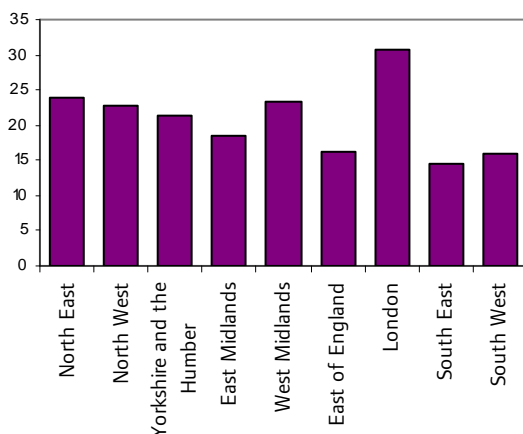
Child poverty is an important issue, but difficult to quantify. Nevertheless, there are a number of measures of child poverty available and a number of proxy indicators. The detail, in terms of geography and other associated information, and the accuracy of the information varies.

This *Update* is based on one such measure, published by HM Revenue & Customs (HMRC) and derived largely from administrative records. The measure is **the proportion of children living in families in receipt of out of work benefits or in receipt of tax credits where their reported income is less than 60 per cent of median income<sup>1</sup>**. It is also known as National Indicator 116. The latest data is for August 2008 and this *Update* focuses on that. Comparable figures were also produced for 2006 and 2007 and this series largely replicates the Income Deprivation Affecting Children Index from the Indices of Deprivation 2007, which used data from 2005. Some data from the previous years is also presented here.

### Latest Results

According to this measure, over 30 per cent of London's children were in poverty in 2008. This compares with just over 20 per cent in England as a whole, and is by far the highest of any region (see Chart 1).

**Chart 1 Percentage of children in poverty by region**



Source: Child Poverty Statistics 2008, HMR

While this indicator has some disadvantages<sup>2</sup>, one of the biggest advantages of this dataset is that, as it is based on administrative records, it is a complete count, which means that detailed geographical data are available. This reveals the huge variation in child poverty levels within London, with children in Tower Hamlets almost five times as likely to be in poverty as those in Richmond upon Thames. (See Chart 2).

<sup>1</sup> A precise definition is given in the glossary section.

<sup>2</sup> It is reliant on a benefit system which is subject to change, captures only those that claim, not all those entitled to claim, and it does not include people who are not eligible for these benefits, but may nonetheless be living in poverty.

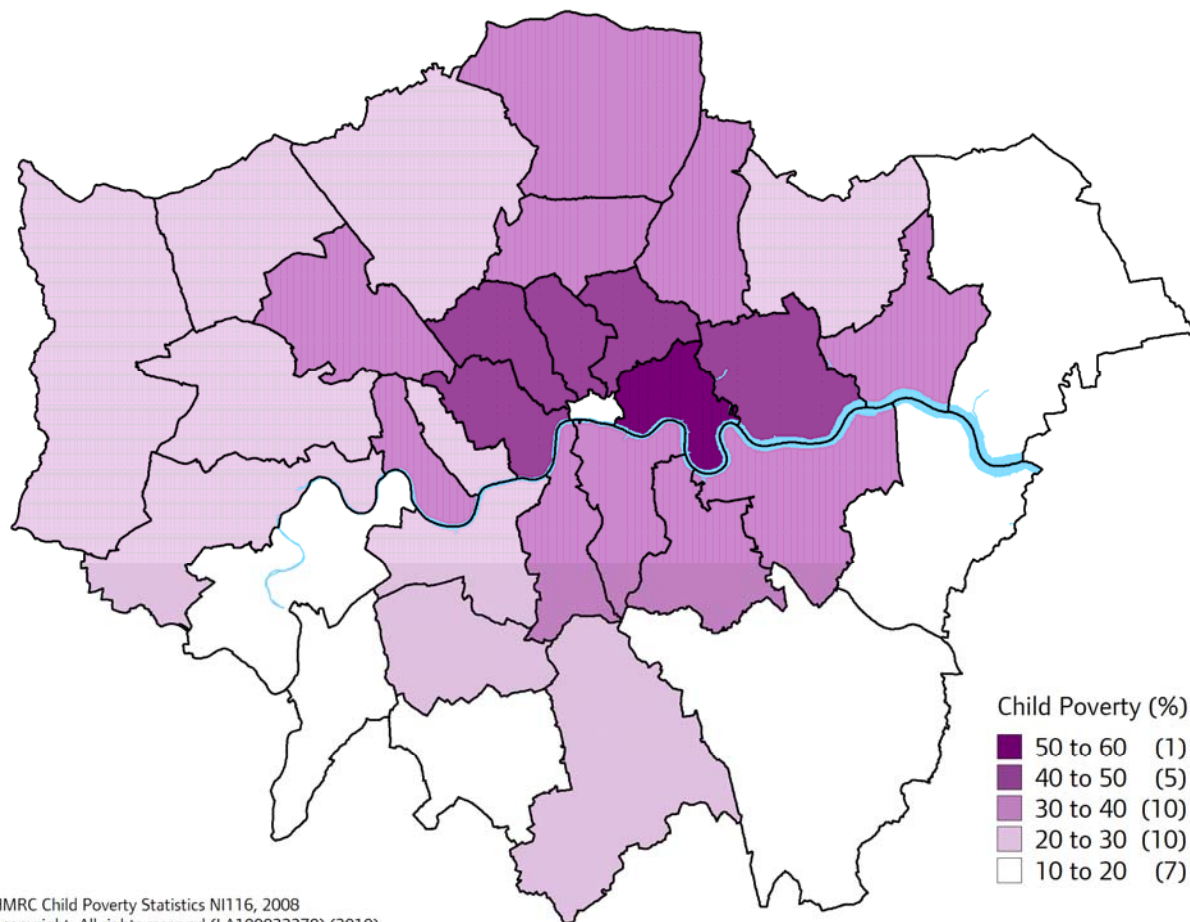
**Chart 2 Percentage of children in poverty, London boroughs**



Source: Child Poverty Statistics 2008, HMRC

From Map 1 it is clear that in all the boroughs north of the river bordering the City of London, plus Newham, more than two in five children are living in poverty. Only one local authority outside London, Manchester, has a comparable level of child poverty. There are 22 local authorities in England where more than one in three children are in poverty; all but six are London boroughs. Tower Hamlets is the only local authority where the proportion is more than half. Only in six boroughs and the City itself are fewer than one in five children in poverty on this measure. In England, two thirds of local authorities (235 out of 354) fall into this category.

**Map 1 Percentage of Children in Poverty 2008, London Boroughs**



Source: HMRC Child Poverty Statistics NI116, 2008  
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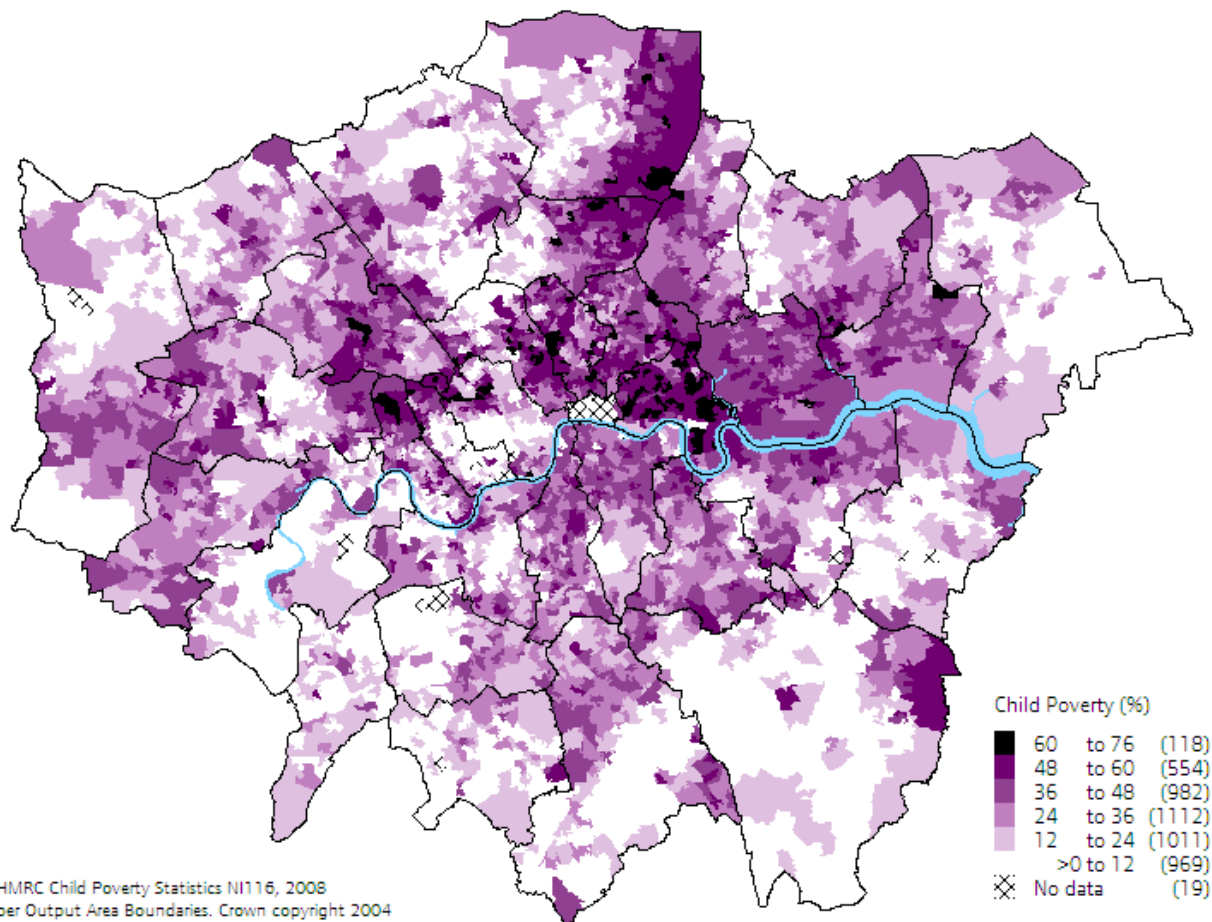
“Children” in this measure includes all dependent children living in households. A comparable figure for the proportion of all children under 16 in poverty is also available. For England, all regions, and virtually all local authority areas, the proportion of dependent children in poverty is slightly lower than the proportion of under 16s in poverty. Only nine local authorities have higher proportions of “all dependent children” than “under 16s” with a difference of more than 0.3 percentage points. All are London boroughs. This suggests that whereas children are less likely to be in poverty as they get older in most of the country, this appears not to be the case in London. Tower Hamlets again features as having the largest difference – 57 per cent of all children and 55.3 per cent of children under 16.

Another characteristic for which data are available is whether the children are in lone parent families or couple families. Overall in England, there are twice as many children in poverty in lone parent families as in couple families. In Lambeth, Southwark and Lewisham, this ratio is more than four children in lone parent families to one in couple families. In stark contrast, Tower Hamlets is one of only three local authorities where children in poverty are more likely to be in couple families than lone parent families. The others are the Isles of Scilly, where the numbers are extremely small, and Pendle.

The information also shows whether the children are in households receiving ‘out of work’ benefits, or tax credits only. In Knowsley and Liverpool, there were at least seven children in ‘out of work’ poverty for each child in ‘in work’ poverty. The highest ratio in London was Islington, at over six and the lowest Kingston upon Thames at under 2.5.

There is limited other information available with these data. There is nothing, for example, about the ethnicity of the children or their parents, the only other data supplied relates to the number and age of children, but without denominators, this is difficult to use. However, the geographic information means that we can get a detailed picture of child poverty across London. Map 2 shows the data for small areas (LSOAs<sup>3</sup>) across London. More than half London boroughs have at least one area where more than three in five children are in poverty. The areas with the highest proportions are concentrated in Tower Hamlets. This is not surprising, given its overall level of child poverty.

**Map 2 Percentage of Children in Poverty 2008, London LSOAs<sup>3</sup>**



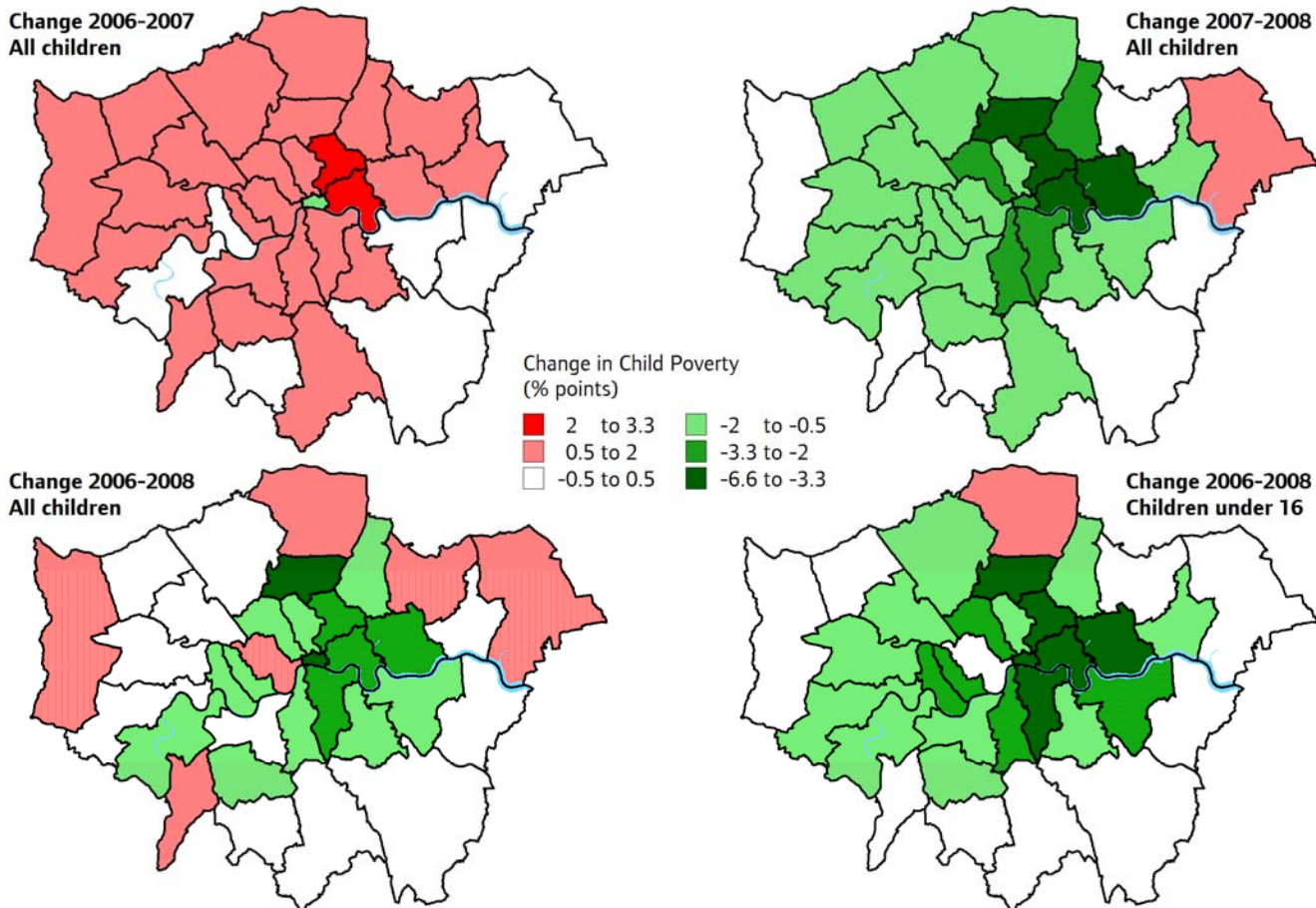
### Change in levels of Child Poverty

As comparable data are available for three years, it is possible to look at change in the levels of child poverty under this measure. Maps 3-6 show an unusual pattern for London boroughs, where levels of poverty among all dependent children appeared to increase in 25 of the 33 London boroughs between 2006 and 2007, and only the City showed a decrease. Hackney and Tower Hamlets stand out as having the largest increases. Conversely, 26 boroughs showed a decrease between 2007 and 2008, including the City, with only Havering showing an increase. Hackney and Tower Hamlets are among the boroughs showing the largest decreases. This may be a feature of the way the measure is calculated, rather than real change.

When looking at the overall change 2006 to 2008, the picture is much more mixed. All inner London boroughs showed a decrease in the levels of child poverty under this measure, except Wandsworth which had little change and Westminster where the levels increased. In Outer London four boroughs showed a decrease (Waltham Forest, Greenwich, Merton and Richmond upon Thames), five boroughs showed an increase (Enfield, Redbridge, Havering, Kingston upon Thames and Hillingdon), with the remainder showing similar levels in both years. Map 7 shows the change between 2006 and 2008 in the measure for children under 16 only, and the pattern is markedly different to that for all dependent children over the same period, with most boroughs showing a decrease, and only Enfield showing an increase.

<sup>3</sup> Lower Layer Super Output Areas. These are areas designed to be approximately similar in size across the whole of England. They averaged 1,500 residents, based on 2001 Census results.

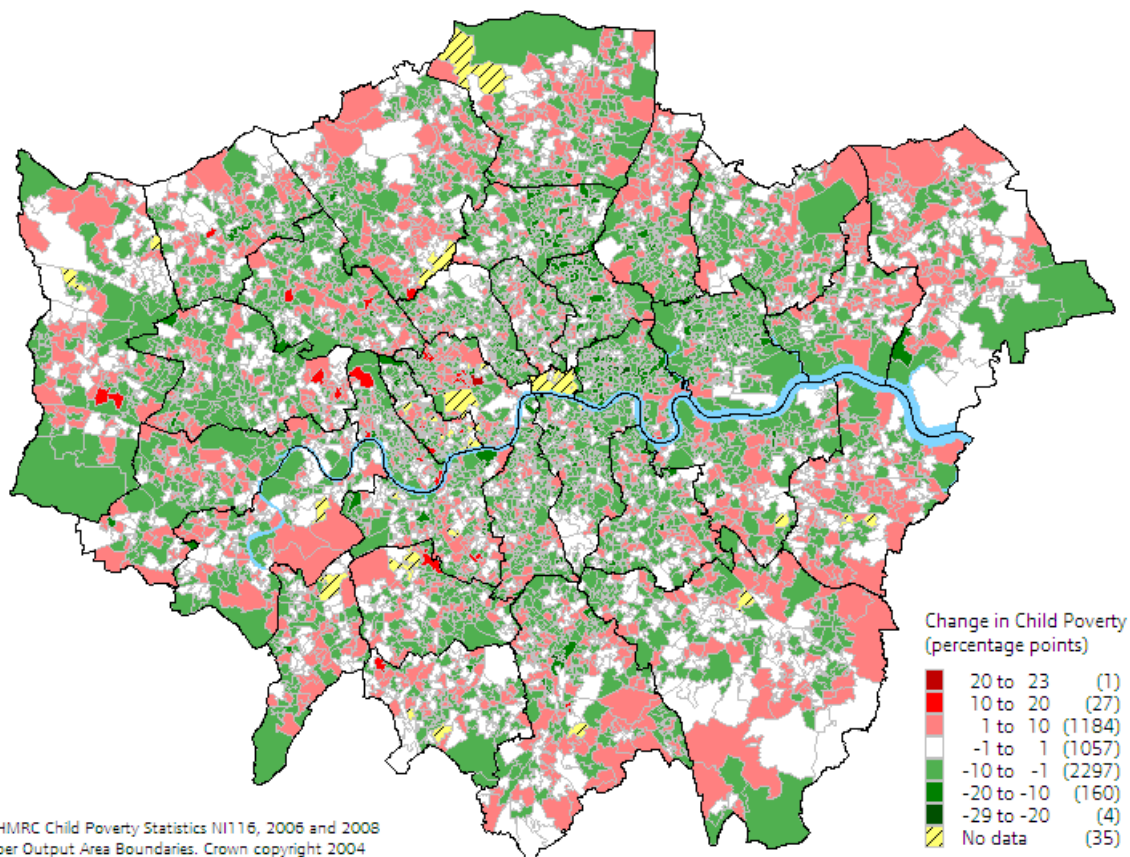
### Maps 3 – 6 Percentage Point Change in Child Poverty, London Boroughs



Source: HMRC Child Poverty Statistics NI116, 2006, 2007, 2008 © Crown copyright. All rights reserved (LA100032379) (2010)

At small area level, the pattern of change in child poverty levels (all dependent children) is very mixed, with all boroughs including areas of increase, areas of decrease and areas of very little change.

### Map 7 Percentage Point Change in Child Poverty, 2006-2008, London LSOAs



Source: HMRC Child Poverty Statistics NI116, 2006 and 2008  
ONS, Super Output Area Boundaries. Crown copyright 2004  
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Note: In areas where the numbers were close to zero in one or both years, these are marked as “no data” as change cannot be calculated.

**Background**

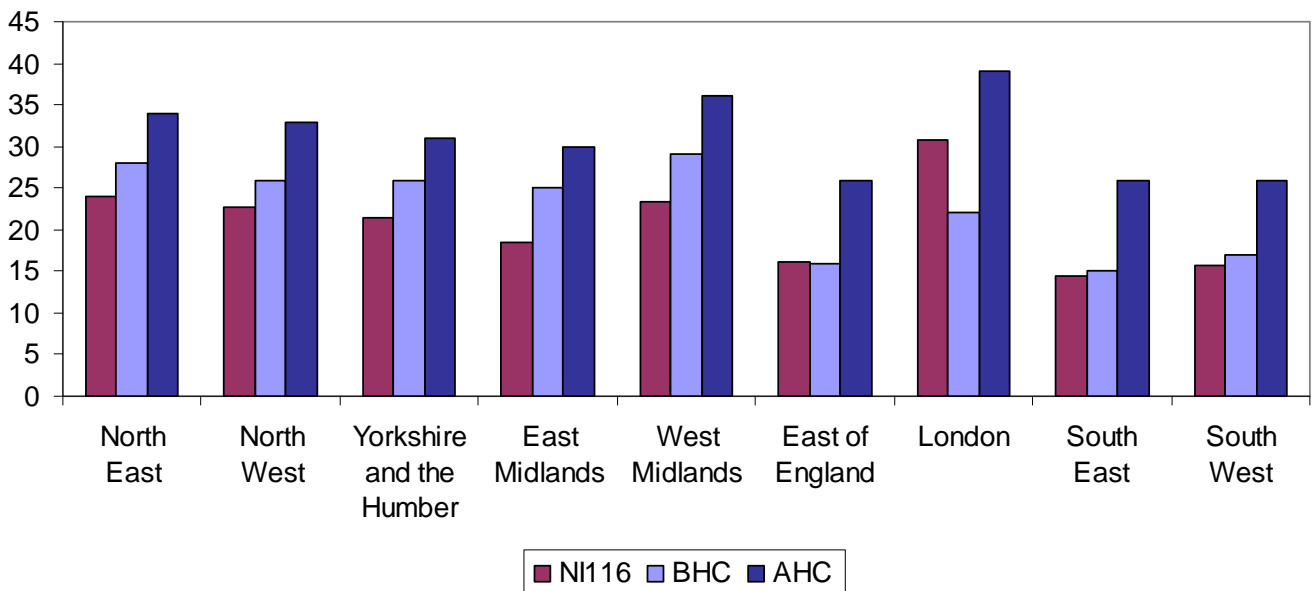
The measure of child poverty presented in this *Update* is one of several produced by the Government. It is the sum of the number of children in families receiving either one of two out of work means-tested benefits – Income Support or Income Based Job Seekers Allowance – and the number of children in households receiving Child Tax Credit where the household taxable income before housing costs (excluding Housing Benefit and certain other benefits) is below 60 per cent of the specifically calculated median income, all as a proportion of the total number of children receiving Child Benefit.

It has advantages in that, unlike other measures, it is based on administrative data, rather than survey data, and is therefore a complete count of what it measures. On the other hand, it is not a complete count of children in low income households, as it only counts children in households claiming the relevant benefits, which means that those potentially the worst off, ie children in households entitled to, but not claiming benefits are excluded as are children in, for example, asylum seeking families, where they are not entitled to claim any of these benefits, though they may be living on very low incomes. It is also a snapshot of the children reliant on these benefits at a particular point in time, rather than looking at their circumstances over a longer period of time, which is more useful for indicating living standards.

The change maps shown here are more indicative of the volatility of the measure than necessarily of real change in circumstances. This volatility may arise from changes in unemployment rates or from changes in the low income threshold.

This is not the Government’s primary measure of child poverty, and Chart 5 shows the regional figures and how this measure compares with the latest child poverty figures from the Households Below Average Income (HBAI) series, which are used to monitor progress towards the Government’s target of eradicating child poverty. Two measures are published at regional level showing income levels; Before (BHC) and After (AHC) Housing Costs. This chart clearly shows a different pattern in London compared to other regions. It is the only region where the benefit-based NI116 measure is higher than the income based primary measure from the HBAI series (BHC). This is, at least in part, a reflection of the definitions used in calculating the income under these two different measures.

**Chart 5 Percentage of children in poverty, comparing different measures, by region**



Source: NI116 - Child Poverty Statistics 2008, HMRC

BHC - children below 60 per cent contemporary median income Before Housing Costs, Households Below Average Income 2006/7 – 2008/9

AHC - children below 60 per cent contemporary median income After Housing Costs, Households Below Average Income 2006/7 – 2008/9

## Glossary of key terms:

### Children in Poverty

The proportion of children in poverty is calculated for NI 116 as:

Number of children in families in receipt of any of:

Income Support (IS)

Income Based Jobseekers Allowance (JSA-IB)

Child Tax Credit (with or without Working Tax Credit) where the equivalised family (reported) income is less than the low income threshold (60 per cent of the median (mid point) income).

As a proportion of:

Total number of children (as measured by the number of children for whom child benefit is claimed.)

### Child

The indicator includes children under the age of 20. A dependent child is defined as an individual aged under 16. A person will also be defined as a child if they are 16 to 19-years old and they are:

- not married nor in a Civil Partnership nor living with a partner; and
- living with parents; and
- in full-time non-advanced education or in unwaged government training

### Income

The weekly income data used to calculate the low income threshold is taken from the Family Resources Survey. It includes total family taxable income (for tax credit purposes), the calculated weekly entitlement to Child Benefit and the weekly value of entitlement to tax credits (as at August 31st). Income is equivalised and is Before Housing Costs (BHC).

**Note:** As some benefits included in total income in the Family Resources Survey are non-taxable (such as Housing Benefit, Disability Living Allowance, Attendance Allowance, Council Tax Benefit) these benefits are paid on top of tax credits and therefore not included in the income or low income threshold used in this local indicator.

### Equivalisation

Income equivalisation takes into account variations in the size and composition of the families in which children live. This reflects the common sense notion that, in order to enjoy a comparable standard of living, a family with say three children will need a higher income than a single person living alone.

### Low income threshold

This is taken as children living in households whose income falls below 60 per cent of the contemporary median income (income is BHC and equivalised). See "Income" above for what is included in this calculation. The threshold is not applied to children in families in receipt of out of work means-tested benefits as the necessary income information is not available. Children living in these families are included because they are known to have a high risk of low income poverty and are often used as a proxy measure for income deprivation.

### Means-tested out of work benefits

The means-tested benefits included in this category for this indicator are Income Support and Income-Based Jobseekers' Allowance

### Tax Credits

Tax credits are based on household circumstances and can be claimed jointly by members of a couple, or by singles. Tax credits are part of wider government policy to provide support to parents returning to work, reduce child poverty and increase financial support for all families. Tax credits are made up of Child Tax Credit and Working Tax Credit. Each has a number of elements. More details can be found on the HMRC Website at: <http://www.hmrc.gov.uk/taxcredits/start/who-qualifies/index.htm>

### Income Deprivation Affecting Children Index

This is one of the Indices of Deprivation produced by Communities and Local Government. It is similar to Indicator NI116, but also includes figures for Asylum Seekers receiving support.

For full definitions of these terms and further details on the technical aspects of the dataset, see:

<http://www.hmrc.gov.uk/stats/personal-tax-credits/ni116-tech-note.pdf>

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