

Data Management and Analysis Group

Background to the DMAG Poverty Profiles



**Social
Exclusion**

DMAG Briefing 2008-34

December 2008

Background to the DMAG Poverty Profiles

For more information please contact:

Lovedeep Vaid
Data Management and Analysis Group
Greater London Authority
City Hall
The Queen's Walk
London SE1 2AA

Lovedeep.vaid@london.gov.uk

Tel: 020 7983 4699

Copyright © Greater London Authority, 2008

ONS and DWP data produced in this Briefing have been reproduced with the permission of the Controller of Her Majesty's Stationery Office and the Queen's Printer for Scotland and are © Crown Copyright.

ISSN 1479-7879

Contents

	<i>Page</i>
Abbreviations	i
Introduction	1
Benefits	2
Income Support	3
Jobseeker's Allowance	4
Incapacity Benefit	6
Disability Living Allowance	6
Housing Benefit	7
Council Tax Benefit	8
Pension Credit	8
State Pension	9
Children dependent on benefits	10
People of working age on key benefits	12
Child and Working Tax Credits	13
Unemployment rates (modelled estimates)	15
Employment rates	15
Household Income	16
Average Annual Pay	18
Index of Multiple Deprivation 2007	18
Persons accepted as being homeless and in priority need	19
Pupils achieving five A to C GCSEs (and equivalent)	20
Working age population by level of education	20
Life Expectancy at Birth	21

Abbreviations

AA	Attendance Allowance
BAME	Black, Asian and Minority Ethnic groups
CTB	Council Tax Benefit
CTC	Child Tax Credit
DfES	Department for Education and Science
DLA	Disability Living Allowance
DPTC	Disabled Persons Tax Credit
DWP	Department for Work and Pensions
FRS	Family Resources Survey
HB	Housing Benefit
HBAI	Households below average income
HMRC	Her Majesty's Revenue and Customs
GLA	Greater London Authority
IB	Incapacity Benefit
IBLT	Incapacity Benefit Long Term rate
IBSDA	Incapacity Benefit and Severe Disability Allowance
IBST(H)	Incapacity Benefit Short Term Higher rate
IBST(L)	Incapacity Benefit Short Term Lower rate
IS	Income Support
JSA	Jobseeker's Allowance
JSA (Cont)	Jobseeker's Allowance Contribution Based
JSA (IB)	Jobseeker's Allowance Income Based
LCPC	London Child Poverty Commission
LRR	Local Reference Rent
MIG	Minimum Income Guarantee
ONS	Office for National Statistics
PC	Pension Credit
PCA	Personal Capability Assessment
SDA	Severe Disability Allowance
SP	State Pension
WFTC	Working Families Tax Credit
WPLS	Work and Pensions Longitudinal Study
WTC	Working Tax Credit

Introduction

This *DMAG Briefing* gives background information to the sources used in the DMAG poverty profiles spreadsheets. It applies to both the borough level and ward level versions.

The profiles were designed as a one-stop spreadsheet housing those indicators that are available at borough level, which give an indication of poverty and social exclusion. The 2008 version replaces the original November 2007 release. The data relate to the year 2007 as far as possible.

Benefits

Benefits data offers a particularly useful source of information about the spatial distribution of low incomes, as well as providing proxy measures of unemployment, relative poverty, disability and ill health.

While London has the highest levels of average income of any region, this embraces the highest proportion of individuals in both the highest and lowest income quintiles after housing costs. Social security benefits make up around 60 per cent of gross income for the poorest fifth of households nationally, compared to only two per cent in the top fifth.

London has local authority areas with both the highest and the lowest rates of means-tested benefit receipt in the country. While the rate of receipt of means tested benefits has decreased over the last few years across the country as a whole, this decrease has been less marked in London.

The source of the benefit data used in this report is the Work and Pensions Longitudinal Study. The WPLS is a series of linked databases that allows detailed, cross cutting analysis of DWP customers. From January 2004, DWP has been able to link benefit and programme information held on its customers with employment records from HM Revenue and Customs (HMRC).

New data-sharing provisions introduced in the Employment Act 2002 have opened the way for DWP to receive more data on employment from HMRC and use the information for more purposes. DWP and HMRC have been working together to enable this data sharing to take place and to develop safeguards for the initiative.

The WPLS has been used to perform a range of statistical and research analyses, as well as being used for some limited operational purposes, to give the Department further opportunities to evaluate the effectiveness of its businesses. This has included:

- providing statistics, management information and research on the success of Jobcentre Plus in helping people into work and keeping them in work;
- helping to evaluate individual policies and their impact in the short, medium and long-term;
- determining the family unit for pensioners to establish overall pensioner income from benefits;
- helping in the investigation of fraud; and
- helping DWP to improve the way it targets clients through marketing initiatives.

As from 27th October 2005, the WPLS data became the DWP's key data source for many benefit statistics. These data are used to produce headline National Statistics. WPLS data are based on 100% of claimants and cover information such as age and gender of claimant, duration of their spell on benefit and geographical locations of claimants.

[Further information](#)

Income Support

Source: The Work and Pensions Longitudinal Study, DWP

Income Support (IS) is intended to help people on low incomes who are not required to be available for employment. IS is a non-contributory, means-tested benefit and can normally be claimed by people who are:

- aged 16 or over (although the majority of 16 and 17 years old are normally unable to claim IS),
- working under 16 hours a week (and/or with a partner working under 24 hours),
- not required to be available for full-time employment, and
- in receipt of insufficient income to meet prescribed needs.

The main groups of people who receive IS are:

- lone parents,
- the long and short-term sick,
- people with disabilities, and
- other special groups.

The disability premium, awarded to those who are long term sick or disabled, is linked to the payment of disability benefits (attendance allowance or disability living allowance) or claims for long-term incapacity benefits.

The amount of IS that a claimant can receive depends mainly upon their:

- age,
- whether they have a partner and dependent children,
- whether they have special needs such as a disability or caring responsibilities, and
- whether they have liabilities for certain types of housing costs such as mortgage interest payments.

The maximum amount that a claimant can receive is normally reduced by income from other types of benefits or other sources.

Providing support to lone parents and sick and disabled people to help them return to the labour market is a key component of the DWP's five-year strategy.¹ Research commissioned by DWP has shown that many lone parents on Income Support regularly cite ill-health as a barrier to getting work, with some claiming sickness and disability benefits such as incapacity benefit or IS disability premium.

While lone parent employment is at a record high, and the number claiming IS has fallen by around 150,000 since the beginning of the decade, lone parent employment still needs to grow at a faster rate if the Government is to meet its target of 70 per cent in work by 2010. Nowhere is this truer than in London, which has a considerably higher proportion of lone parents claimants

¹ DWP Five Year Strategy: Opportunity and security throughout life, February 2005

compared to the national average. London faces particular challenges in getting more lone parents into work, as the employment rate is considerably lower than in the rest of the UK – 40 per cent, compared with 52 per cent.² This is due to a lower part-time employment rate in a region where part-time opportunities are fewer than elsewhere.

Jobseeker's Allowance

Source: The Work and Pensions Longitudinal Study, DWP

Jobseeker's Allowance (JSA) replaced Unemployment Benefit and Income Support for unemployed people on 7 October 1996. It is payable to people under state pension age who are available for, and actively seeking work. Certain groups of people, including carers and those with a physical or mental condition, are able to restrict their availability to less than 40 hours depending upon their personal circumstances. Participants in some government training schemes can claim JSA.

A further basic condition for the receipt of benefit is that a person claiming JSA needs to enter into a Jobseeker's Agreement with Jobcentre Plus. The Agreement sets out:

- any agreed restrictions on the job seeker's availability for work;
- the steps the job seeker intends to take to look for work.

In addition, to be entitled to JSA the person must:

- be living in Great Britain;
- be capable of work;
- not be in education;
- not be working 16 hours or more a week on average. Additionally, the partners of claimants of income-based JSA should not work for 24 hours or more per week.

Jobseeker's Allowance is either contribution-based (JSA (Cont)) or income-based (JSA(IB)) depending on individual circumstances. Those who have paid sufficient National Insurance contributions receive contribution-based Jobseeker's Allowance for up to six months. Those who do not qualify for, or whose needs are not met by, contribution-based Jobseeker's Allowance, may qualify for income-based help for themselves and their dependants. This help will continue for as long as it is needed, provided that the qualifying conditions continue to be met. Dependents are defined as children under the age of 16 plus young dependent adults aged 16 to 18.

Entitlement to contribution-based JSA is based on a person meeting the contribution conditions. These depend on Class 1 contributions paid as an employed earner in two specified tax years. National Insurance credits alone will not enable a person to qualify but they can help towards meeting the conditions. If they satisfy the test, they may receive a personal, age-related rate of benefit for up to six months irrespective of savings, capital or a partner's earnings. Additional benefit for partners or dependants is not paid with JSA (Cont).

² Annual Population Survey 2004

Impact of the introduction of New Tax Credits

From April 2003 new claimants with dependent children could opt to claim either Child Tax Credits (CTC) or an additional allowance under JSA(IB). From April 2004, all new JSA(IB) claimants were only able to claim child allowances under CTC.

Particular changes in the figures may be evident in financial year 2004/05, when families already in receipt of JSA(IB) who have not already claimed CTC, will have child elements migrated to CTC.

A small number of JSA(IB) recipients will no longer be eligible once CTC is in payment. This is because CTC payments will raise total income above the JSA(IB) threshold, or other income exceeds the threshold once child allowances are removed.

While the distinction between contributory and means-tested elements of support for unemployed people was retained from the previous system of Unemployment Benefit and Income Support, today the majority of unemployed claimants are reliant on JSA(IB). In London this relates to over three-quarters of claimants.

At 75 per cent, the UK has one of the highest employment rates in the advanced world,³ and this has filtered through over time to most disadvantaged groups, with the exception of people with low level or no qualifications. Claimant count unemployment rates have fallen correspondingly for the overall working age population and among groups such as the over 50s, lone parents, people with disabilities and ethnic minorities.

While unemployment among the over 50s is low, inactivity remains high. The Green Paper on Welfare reform includes the following proposals to increase the number of older workers:

- aligning additional employment support for older long-term unemployed people with that for younger age groups by requiring people aged 50 to 59 to take up the additional job seeking support available through New Deal 25 plus
- improving back-to-work support for Jobseeker's Allowance claimants and their dependent partners who are 50 and over
- piloting face-to-face guidance sessions with people approaching 50, to deliver tailored information on working, training and retirement planning.

³ Inclusion policy paper 3, A scheme for Full employment, April 2005, CESI

Incapacity Benefit

Source: The Work and Pensions Longitudinal Study, DWP

Incapacity Benefit (IB) replaced Sickness Benefit and Invalidity Benefit from 13 April 1995. It is paid to people who are assessed as being incapable of work and who meet certain contribution conditions. There are three rates of Incapacity Benefit. There are two short-term rates: the lower rate (IBST(L)) is paid for the first 28 weeks of sickness and the higher rate (IBST(H)) for weeks 29 to 52. The long-term rate (IBLT) applies to people who have been sick for more than a year. The higher short-term rate and the long-term rate are treated as taxable income.

For the first 28 weeks of incapacity, people previously in work are assessed on the 'own occupation' test, ie the claimant's ability to do their own job. Otherwise incapacity is based on the 'personal capability assessment' (formerly 'all work test'), which assesses ability to carry out a range of work-related activities. The test applies after 28 weeks of incapacity or from the start of the claim for people who did not previously have a job. Certain people are exempt from the personal capability assessment. These include, those in receipt of the Disability Living Allowance care component at the higher rate, those registered blind, and those suffering from a severe illness (for example tetraplegia, persistent vegetative state, dementia).

Increases are paid for a dependant who is caring for a child or where the spouse is aged 60 or over. Increases for children are paid with the short-term higher rate and with the long-term rate. With the introduction of the new Child Tax Credit on 6 April 2003 no new child dependency increases were awarded, although all existing increases were transitionally protected. An age addition is paid with the long-term rate.

Disability Living Allowance

Source: The Work and Pensions Longitudinal Study, DWP

Disability Living Allowance (DLA) provides a non-contributory, non means-tested and tax-free contribution for severely disabled people who claim help before the age of 65. It replaced and extended Attendance Allowance and Mobility Allowance for people in this age group from April 1992.

DLA has two components, which can be paid together or on their own:

A care component - for people who have needed help with personal care (ie attention in connection with their bodily functions and/or continual supervision to avoid substantial danger to themselves or others) for at least 3 months (the 'qualifying period') and are likely to go on needing that help for at least a further 6 months (the 'prospective test'). The care component is paid at three rates:

- higher rate - for people who need help with personal care throughout the day and during the night;
- middle rate - for people who need help with personal care throughout the day or during the night;

- lower rate - for people who need help with personal care during some of the day or are so severely disabled that they cannot prepare a cooked main meal for themselves if they have the ingredients.

A mobility component - for people who have had walking difficulties for at least 3 months and are likely to continue to have those difficulties for at least a further 6 months. It is paid at two rates:

- higher rate - for people who are physically unable, or virtually unable, to walk;
- lower rate - for people who can walk, but need guidance or supervision from another person when walking out of doors on unfamiliar routes.

Children under 16 years of age qualify for the care component or the lower rate mobility component only if their needs are substantially in excess of those of a child of the same age in normal health. Children under 3 years of age cannot qualify for the higher-rate mobility component; children under 5 years of age cannot qualify for the lower-rate mobility component.

People who are terminally ill (ie: have a progressive disease from which death can reasonably be expected within 6 months) automatically qualify for the higher rate care component. They can also qualify for the mobility component if they satisfy the normal rules. For both components they do not have to satisfy the qualifying period or the prospective test.

DLA can be awarded for a fixed or an indefinite period. People can continue to receive the allowance after reaching age 65 if they continue to satisfy the entitlement conditions.

Housing Benefit

Source: DWP

People are eligible to receive HB only if they are liable to pay rent in respect of the dwelling they occupy as their home. Couples are treated as a single benefit unit. The amount of benefit depends on eligible rent, income, and deductions in respect of any non-dependants as well as deductions where food, fuel and water are included. People who are liable to pay rent but who have capital in excess of £16,000 are not entitled to Housing Benefit.

'Eligible rent' is the amount of a tenant's rental liability, which can be met by Housing Benefit. Payments made by owner occupiers do not count but payments such as mooring charges for houseboats, site fees for mobile homes, rental purchase payments and payments for compulsory housing - all count for Housing Benefit. Deductions are made for service charges in the rent that relate to personal needs, such as the supply of meals. Housing Benefit may also be reduced if the amount of rent payable is unreasonably high or the accommodation is over-large for the household or if the claimant or their partner is a full time student.

The 'Local Reference Rent (LRR) Scheme' was introduced on 2 January 1996 and has been applied to new and change of address claims from certain private sector tenants, claiming on or after that date. The LRR is an average amount of rent, which reflects the general level of rents for similar sized properties in the locality of the tenancy, and it is an additional value used in the

calculation of the eligible amount. However, where the Claim Related Rent is more than the LRR, generally, 50 per cent of the difference between the Claim Related Rent and the LRR is met, thereby increasing the amount of eligible rent used to calculate Housing Benefit.

Council Tax Benefit

Source: DWP

Council Tax Benefit (CTB) is designed to help people on low incomes pay their council tax. Generally, it mirrors the Housing Benefit scheme in the calculation of claimants' applicable amount, resources and deductions in respect of any non-dependants. There are two types of Council Tax Benefit:

Main Council Tax Benefit, and Second Adult Rebate.

Main Council Tax Benefit can help people who are liable to pay the council tax whether in or out of work. It is paid by rebating a person's council tax bill. Those paid as in receipt of Income Support/ Minimum Income Guarantee (MIG) /Jobseekers Allowance (IB) can get up to 100 per cent help, subject to any non-dependant deductions that may be appropriate. People not in receipt of Income Support/MIG/Jobseekers Allowance (IB) have their benefit assessed in a similar way to Housing Benefit, but the maximum Council Tax Benefit is reduced by 20 per cent of any net income above their applicable amount. People who are liable for the council tax but who have capital in excess of £16,000 are not entitled to Council Tax Benefit.

Help is also available to people who are solely liable for the tax and who have a second adult in their households who would normally be expected to contribute to the council tax bill but cannot afford to do so. These are called Second Adult Rebates and they are assessed on the basis of the financial circumstances of the second adult, not of those of the liable taxpayer. Rebates of up to 25 per cent may be awarded.

Where a person is entitled to both main Council Tax Benefit and second adult rebate, the Local Authority is required to make a "better buy" calculation and award the liable person whichever amount of benefit is the greater.

Full time students are not generally liable for council tax because most live in accommodation that is exempt.

Pension Credit

Source: The Work and Pensions Longitudinal Study, DWP

Pension Credit was introduced in October 2003. It is an entitlement for people aged 60 and over living in Great Britain, designed to give extra help to the poorest pensioners and also to reward those savers with low or modest incomes who missed out under the previous system. It is not necessary to have paid National Insurance contributions to be eligible. Pension Credit replaced

the Minimum Income Guarantee (MIG), which, itself, replaced Income Support for older people in April 1999. However, the principle of a guaranteed minimum income continues to apply.

There are two parts to Pension Credit: the guarantee credit and the savings credit. The *guarantee credit* provides financial help for people aged 60 or over whose income is below a certain level set by the law. The level that applies depends on personal circumstances; this is the standard minimum guarantee. The awarded amount will depend on other sources of income, such as other pensions and savings. Extra amounts will be added to the standard minimum guarantee for those who have:

- relevant housing costs
- severe disabilities
- caring responsibilities

The *savings credit* is an extra amount for people aged 65 or over who have made some provision for their retirement (such as savings or a second pension) which brings their income above a level set by Parliament, called the 'savings credit threshold'. The aim is to reward pensioners who have modest income or savings. A savings credit can be given on top of a guarantee credit. Claimants may still get a savings credit even if their income is above the standard minimum guarantee level.

State Pension

Source: The Work and Pensions Longitudinal Study, DWP

There are two main types of State Pension: contributory and non-contributory.

The two categories of *contributory state pension* are

- Category A - dependent on a person's own contributions
- Category B - dependent on contributions paid by a spouse.

The two main conditions for payment are that:

- the person has reached State Pension age (currently 65 for men and 60 for women), and
- the contributions conditions are satisfied.

People who meet the contribution conditions get a flat-rate basic pension at the standard rate. If the conditions are only partly met, the basic pension is reduced. The minimum basic pension paid is 25 per cent of the standard rate. Since April 1978, a person's contribution record can be protected if their opportunities to work are limited because of responsibilities at home, such as bringing up a family or looking after a sick or disabled person. There are also special arrangements to help widows and widowers qualify for a retirement pension. Extra money for dependant children can be paid with Category A or B pensions. Extra money can also be added to a Category A pension for a dependent spouse or someone who looks after the children.

If a person does not have enough qualifying years to get the basic State Pension he/she may get a 'non-contributory' pension if aged 80 or over. This is set at about 60 per cent of the full basic State Pension. They can claim if: they are aged 80 or over and don't receive a basic State Pension, or their basic State Pension is less than £49.15 a week (in 2005/06).

Most residents claim a flat-rate basic pension at the standard rate. If the conditions are only partly met, the basic pension is reduced. There are many (especially in London) who do not meet the contribution conditions either on their own contributions or contributions paid by a spouse and therefore cannot claim a state pension at all.

Children dependent on benefits

Source: DWP, 5 per cent sample

The 'children' analyses are based on children in families where an adult of working age claims a key benefit (see definition below) and either:

- receives an additional allowance of benefit for children or young adult dependants (ie those aged 16-18 and still in full-time education); or
- receives contribution-based Jobseeker's Allowance (JSA) or JSA National Insurance credits only, with children or young adult dependants recorded in the assessment; or
- receives Child Tax Credit (CTC).

Additional amounts are payable for all dependant children in families receiving income related benefits (ie Income Support or Jobseeker's Allowance (Income Based)). These additional amounts for children will be payable via either benefit or CTC. The main gaps are children of claimants of Incapacity Benefit or Severe Disablement Allowance without CTC, for whom child information is incomplete; and children of claimants of Disability Living Allowance without CTC, for whom no child information is recorded. It should be noted that not all CTC children are included in these tables, only those in families also claiming a key benefit.

Key Benefits

- Jobseeker's Allowance (JSA)
- Incapacity Benefit (IB)
- Severe Disablement Allowance (SDA)
- Disability Living Allowance (DLA)
- Income Support (IS)
- Other Benefits

Maternity Allowance and the Child Support Agency figures are not included in these tables. Responsibility for Child Benefit transferred to Inland Revenue in April 2003.

Tax Credits

- Working Tax Credit (WTC)
- Child Tax Credit (CTC)
- Working Families' Tax Credit (WFTC) (between October 1999 and April 2003)
- Disabled Person's Tax Credit (DPTC) (between October 1999 and April 2003)
- Family Credit (prior to October 1999)
- Disability Working Allowance (prior to October 1999)

Statistical Groups

Claimants and their families have been allocated to statistical groups to give an indication of the main reason why they are claiming benefit. Families are assigned to statistical groups according to the following hierarchy:

- Unemployed: claimants of JSA
- Sick/Disabled: claimants of IB, SDA, DLA or IS with a disability premium
- Lone Parent: Single people with children on IS and not receiving a disability related premium
- Other: IS claimant not in other groups, e.g. carers, asylum seekers, pensioners (Minimum Income Guarantee/Pension Credit)

Effect of Child Tax Credits

Figures in this dataset were affected by the introduction of the Child Tax Credit (CTC) in April 2003. The main changes were:

- Child dependency increases paid with non-income related benefits were abolished for new claims to State Pension, Bereavement Benefit, Incapacity Benefit and Carer's Allowance from April 2003.
- From April 2004 onwards CTC replaced the child elements of Income Support (IS) and income-based Jobseeker's Allowance (JSA [IB]).

Dates when there may have been particular changes in the figures were:

- April 2003, when Child dependency increases paid with non-income related benefits were abolished for new claims.
- October 2003, when families on the Minimum Income Guarantee (MIG) with children had child elements migrated to CTC.
- Financial year 2004/05, when families on Income Support and income-based Jobseeker's Allowance have child elements migrated to CTC.

A small number of former IS/JSA(IB) recipients are no longer eligible once CTC is paid. This is because CTC payments raise total income above the IS/JSA(IB) threshold, or other income exceeds the threshold once child allowances are removed. DWP advise that data users exercise caution when performing year on year comparisons, or when comparing with the previous quarter.

The main effect of incorporating CTC data into the children dataset has been to provide additional information on children/dependants and family type for claimants of non income-related benefits. August 2003 data showed that, after CTC data was added for the first time, almost 350,000 children were added to the overall totals for children in families on key benefits.

The source for this dataset is different to that used in other chapters in that is based on a five per cent sample rather than the 100 per cent sample in the Work and Pensions Longitudinal Study. Some figures are subject to a high degree of sampling error and should only be used as a guide

Child poverty

The Government has set ambitious targets to reduce child poverty by a half by 2010 and to eliminate it entirely by 2020. However, the headway made in Great Britain overall, with children taken out of poverty and the proportion below the poverty line (households with disposable income below 60 per cent of the median (midpoint) of the national income distribution for households) reduced between 1998/99 and 2005/06, has not been replicated in the capital. In London, 41 per cent of children are still living under the poverty line (after housing costs) with no significant improvement since 2000. In Inner London children are more likely to be living in poverty than not.⁴

The capital's high child poverty rates are driven by high levels of worklessness among London's parents. In 2006 a quarter of children in London lived in families where no one had a job, by far the highest percentage of all regions. London's rate is a lot higher than the rate in the rest of the UK (15 per cent). Children in London are also much less likely to be in couple families where both parents work.

Findings from the 2004 Families and Children Study⁵ revealed that the following benefits were most likely to have been received by families in Great Britain overall:

- Council Tax Benefit (19 per cent)
- Housing Benefit (16 per cent)
- Income Support (14 per cent).

The vast majority (95 per cent) of lone parents received a benefit or tax credit (excluding Child Benefit) compared with 72 per cent of couple families. Excluding Council Tax benefit, lone parents were more likely to be in receipt of a social security benefit whereas couple families were more likely to be in receipt of a tax credit. For example, 45 per cent of lone parent families received Housing Benefit compared with six per cent of couple families. In contrast, two-thirds of couples claimed Child Tax Credit or Working Tax Credit compared with three-fifths (59 per cent) of lone parents.

People of working age on key benefits

Source: The Work and Pensions Longitudinal Study, DWP

Data relating to the 'key' benefits for clients are merged to create "Client Group" data, providing information about whether a client receives more than one benefit. The table is similar to the children's one but relates to clients of working age. It differs however in terms of source – in that it is based on the 100 per cent WPLS, whereas the children's analysis is based on a five per cent sample.

⁴ London Child Poverty Commission, Monitoring child poverty in London, December 2007

⁵ From DWP, Families with children in Britain: Findings from the 2004 Families and Children Study (FACS), April 2006

Child and Working Tax Credits

Source: HM Revenue and Customs

Working Tax Credits (WTC) are paid to lower income families where an adult is in employment and Child Tax Credits (CTC) are paid to people with children, whether they are in, or out of, work. *However, this Chapter only covers in-work families.*

To qualify for working tax credit a person must be in low-paid work and be:

- over 16, have a child and work at least 16 hours a week; *or*
- over 16, be disabled and work at least 16 hours a week; *or*
- over 25 and work at least 30 hours a week; *or*
- 50 or more, work at least 16 hours a week and be receiving certain benefits.

To qualify for child tax credit a person must be at least 16 and be responsible for a child (i.e. be the main carer). It is paid in addition to child benefit.

All families with incomes at or below £58,175 a year receive at least the family element of child tax credit. This is reduced by one pound for every £15 above this threshold – therefore there are families that receive tax credits below the basic amount. In this chapter CTC is split between:

- those receiving above the family element (either because they have more than one child, or a child under 1 year old, or a disabled child or a combination of these factors); and
- those receiving the basic family element or less.

This chapter presents a geographical analysis of in-work families⁶ receiving Child Tax Credit (CTC) and Working Tax Credit (WTC) in 2005-06 based on their finalised awards. The figures show the average number of in-work families, taken over the year, in each region of England and each London borough.

Social security benefits are paid to cover a number of contingencies, such as unemployment, illness and disability. In addition, over the past few decades, a number of benefits have been introduced with the explicit purpose of boosting the incomes of low earners, thus blurring the distinction between welfare and work.

Central to the reform of the tax and benefit system in the late 1990s was the introduction of Working Families Tax Credit (WFTC) and the Disabled Person's Tax Credit (DPTC) in October 1999, which replaced the previous Family Credit and Disability Working Allowance. These were replaced, themselves, (along with employment credit for people over 50) by the introduction of WTC and CTC in April 2003. Compared to the former system of in-work benefits, the tax credit system is widely seen as having less stigma attached to it because it links support more closely to the pay packet. Tax credits are also intended to fulfil one of the central tenets of Government welfare policy - that work pays.

Child Tax Credit

Child Tax Credit is a means-tested allowance for parents and carers of children or young people who are still in full-time education.

⁶ Couples with children or lone parents where the adult, or at least one adult in a couple, worked for 16 or more hours per week.

All families with children can claim Child Tax Credit if their income is no more than £58,175 a year (up to £66,350 if the child is under one). The claimant doesn't have to be the child's parent to be eligible, but must be the main person who is responsible for them.

The amount a person receives depends on various factors, including their annual income.

The payment is made up of two elements:

- a family element paid to any family with at least one child and worth up to £545 (2006-2007 tax year)
- a child element paid for each child in the family and worth up to £1,765 (2006-2007 tax year)

A person may get more if they care for a child under one or a disabled child.

Therefore, a person can qualify for CTC if they satisfy all of the following:

- their income is sufficiently low
- they are a 'present' and 'ordinarily resident' in Great Britain
- they are not subject to immigration control

Working Tax Credits

Working Tax Credit is designed to help people in-work on low incomes whether they are employed or self-employed and can include support for qualifying childcare. Extra help is available for people working 30 or more hours per week, disabled people, or people aged 50 or over who recently returned to work after a period on benefit.

To claim Working Tax Credit, a person has to be aged 16 or over, and work for 16 hours or more a week. Tax Credits are based on their household circumstances, so the claimant will need to provide information relating to the different elements that make up the allowance, including:

- earnings and the average number of hours worked a week
- earnings and average hours of work of partner (if they have one)
- any benefits being claimed
- the number and ages of children in the family
- the amount spent each week on childcare

People without children can claim WTC but in practice the majority of those claiming are families with children.

[Further information](#)

Unemployment rates (modelled estimates)

Source: ONS modelled estimates

The Annual Population Survey (APS) struggles to provide reliable unemployment estimates at local authority level due to small samples of unemployed residents. For this reason, ONS has developed a new statistical model to improve upon direct estimates from the APS. These model-based estimates are now official statistics and are the preferred source of borough level unemployment rates. The model considers unemployment data from the APS and brings these together with data from the claimant count. While the final estimates are more reliable than direct survey based estimates from the APS, they still have sizeable confidence intervals.

Employment rates

Source: The Annual Population Survey

Those employed are people aged 16 or over who did some paid work in the reference week (whether as an employee or self-employed); those who had a job that they were temporarily away from (eg on holiday); those on government supported training and employment programmes; and those doing unpaid family work (ie working in family business). The employment rate is the number of people in employment expressed as a percentage of the population in that age group.

The Annual Population Survey is a large sample survey of UK households, carried out by the Office for National Statistics. It was introduced in 2004 and replaced the annual Labour Force Survey (LFS). The APS is designed to collect a wide range of data about people and their labour market circumstances.

[Further information](#)

Household Income

Source: PayCheck 2008, CACI

The tables show unequivalised data, which provides modelled estimates of gross household income (including investment income and social security benefits) compared to equivalised data, which takes into account household size. The data are produced by CACI Information Solutions, a market analysis consultancy.

Equivalised income is an adjusted income scale, which takes into account the size of a household. It reflects the idea that a large household will need a larger income than a smaller household in order to achieve an equivalent standard of living.

The equivalisation scale used in PayCheck is the *McClements Scale*, which is also widely used by the Office for National Statistics. This scale assumes the equivalised income of a cohabiting couple living on their own is equal to their actual income. The equivalised income of larger households is less than their actual household income, and the equivalised income of a single-person household is greater than the person's actual income. The scale takes into account both the greater income needs of larger families and economies of scale achieved when people live together.

The name 'PayCheck' is slightly misleading, since these data relate to household income from all sources, rather than just earnings, which might be assumed from the name. The data includes most sources of income such as benefits but it does not include outgoings such as tax payments and housing costs. Deductions for housing costs, would make PayCheck a better measure of deprivation – especially in London. The data consist of a mean, mode and median gross household income figure.

This is the second year that CACI has produced equivalised data but comparisons are not possible due to changes in methodology. Tables for 2005 unequivalised household income were presented in *DMAG Briefing 2005-29*. Tables for 2005 equivalised are available on request.

Showing both median household incomes as well as mean income is important when looking at income levels in London. A mean income would be skewed by a relatively small number of very high earners: only three per cent of households have an income above £100,000, however, it is not known how much more they earn above this threshold but the median household income (unequivalised) for London is nearly £6,000 pounds below the mean figure.

Another reason for highlighting the median figure is the importance that the Government places upon it in terms of defining poverty levels. The official poverty line is defined as households with less than 60 per cent of median income (equivalised). In Greater London 27 per cent of the population live in income poverty⁷ (2005-06, after housing costs), this rises to 41 per cent for children – the highest for any region in the country. Child poverty is even higher in Inner London where just over half of all children (51 per cent) are living in income poverty – after housing costs. Poverty rates for some boroughs, especially those with high ethnic populations, would be even higher but sub-regional figures are not possible from the Family Resources Survey (FRS).

⁷ Household Below Average Income, 2002-05, DWP

The FRS is a continuous cross-sectional survey with a sample of some 26,000 households in Great Britain, whereas PayCheck is based on information on over 4 million households from CACI's lifestyle database, in conjunction with Census and other sources, including market research data. This gives PayCheck its key strength: to make household income estimates for very small areas.

PayCheck data are modelled rather than actual. For some areas this may mean that the model incorporates only a very small number of actual observations for that area. There are no deductions such as tax or housing costs to give disposable income estimates – as PayCheck was originally designed for market analysis.

Household income is higher in London compared to the rest of Great Britain but the extra does not make up for the higher costs of living in London especially those costs relating to housing. According to the Joseph Rowntree Foundation⁸ access to home ownership is most difficult in London, with house price to household income ratios less than four in only three authorities: City of London, Barking & Dagenham and Merton. Only in six authorities can more than thirty per cent of all working households afford to buy at lower quartile house prices. Affordability issues for key workers are even more acute in London. This is because their earnings are based on national pay scales, and London and other related salary supplements are insufficient to offset London's higher housing costs. In most areas, even a key worker couple with two incomes could not afford to buy at lower quartile house prices.

Therefore, an adjustment for housing costs would allow for more meaningful comparisons with areas outside London, as well as within London, although housing costs are high no matter how deprived a certain borough or ward is.

[Further information](#)

⁸ Affordability differences by area for working households buying their homes, Joseph Rowntree Foundation, 2003

Average Annual Pay

Source: Annual Survey of Hours and Earnings, Office for National Statistics.

The Annual Survey of Hours and Earnings (ASHE) provides information about the levels, distribution and make-up of earnings and hours worked for employees in all industries and occupations. ASHE replaced the New Earnings Survey (NES) from 2004, including improvements to the coverage of employees, imputation for item non-response and the weighting of earnings estimates.

The Annual Survey of Hours and Earnings (ASHE) is based on a sample of employee jobs taken from HM Revenue and Customs PAYE records. Information on earnings and hours is obtained in confidence from employers. ASHE does not cover the self-employed nor does it cover employees not paid during the reference period.

The earnings information presented relates to gross pay before tax, National Insurance or other deductions, and excludes payments in kind.

[Further information](#)

Index of Multiple Deprivation 2007

Source: ID2007, CLG

The IMD is created for small areas because that is considered the best way to identify the areas of need. However, it is occasionally necessary to consider larger geographical levels for painting a picture of a wider area to make comparisons or for funding decisions. Summary measures of the IMD have been published for a selection of such areas, including local authorities. Six different measures have been created for local authorities, each focusing on different, but equally valid aspects of multiple deprivation in the borough. Therefore no single measure is favoured over another and all should be taken into account. The six measures are:

- *Average of SOA Scores* describes the overall position of people in the district by taking the population-weighted average of the scores for each SOA within the district.
- *Average of SOA Ranks* again summarises the district as a whole, taking into account the population weighted ranks of both the deprived and less deprived SOAs.
- *Extent* depicts how widespread high levels of deprivation are in a district by considering the proportion of the district's population living in the most deprived SOAs in England.
- *Concentration* identifies districts' 'hot spots' of deprivation by looking at the (population weighted) average rank of the most deprived SOAs containing ten per cent of the district's population.
- *The Income Scale* gives the number of people in the district who are income deprived.
- *The Employment Scale* gives the number of people in the district who are employment deprived.

For the published tables, local authorities are ranked according to each of these six measures. The population in each SOA is taken into account in calculating these scores, and following the same procedures it is also possible to produce summary measures for other areas, such as wards.

The ward level version does not show actual scores but instead presents an analysis at ward level based on individual SOA scores within wards to show:

- the average SOA rank within the ward (out of the 32,482 SOAs in England)
- a ward rank based on the above averages (out of the 624 wards in London (excluding the City of London))
- the number of SOAs within London wards that are ranked within the lowest 10 per cent in the country.

[Further information](#)

Persons accepted as being homeless and in priority need

Source: CLG

The term "Homelessness" is often considered to apply only to people "sleeping rough". However, most of CLG statistics on homelessness relate to the statutorily homeless ie those households that meet specific criteria of priority need set out in legislation, and to whom a homelessness duty has been accepted by a local authority.

Such households are rarely homeless in the literal sense of being without a roof over their heads, but are more likely to be threatened with the loss of, or are unable to continue with, their current accommodation.

Each local housing authority is required to consider housing needs within its area, including the needs of homeless households, to whom local authorities have a statutory duty to provide assistance.

The priority need groups include households with dependent children or a pregnant woman and people who are vulnerable in some way eg because of mental illness or physical disability. In 2002 an Order made under the 1996 Act extended the priority need categories to include:

- applicants aged 16 or 17; applicants aged 18 to 20 who were previously in care;
- applicants vulnerable as a result of time spent in care, in custody, or in HM Forces, and
- applicants vulnerable as a result of having to flee their home because of violence or the threat of violence.

[Further information](#)

Pupils achieving five A to C GCSEs (and equivalent)

Source: DCSF

Results for pupils at the end of Key Stage 4 came from the awarding bodies concerned, and were also checked with schools. The schools themselves provided results on graded exams.

Percentage achieving 5 or more A*-C GCSEs (and equivalent) including English and maths GCSEs

This new 'gold standard' indicator was announced in the 14-19 Education and Skills White Paper, and subsequently confirmed in the *Driving Forward 14-19 Reform: Implementation Plan* published in December 2005. It shows: the percentage of pupils at the end of KS4 achieving 5 or more GCSEs (and equivalent) at grades A*-C including English and maths GCSEs.

Pupils counted must have achieved at least a grade C English GCSE, and at least a grade C maths GCSE, and at least the equivalent of another three C+ GCSEs. All English and maths full GCSEs will count except English Literature and statistics.

Percentage of pupils achieving 5 or more GCSE grades A*-C, (and equivalent)

This shows the proportion of pupils in a school who have achieved the equivalent of 5 good GCSE grades and have attained the level necessary to proceed to advanced levels of study.

Free School Meal Eligibility

For a pupil to be eligible for free school meals depends on receipt (by parent or pupil) of Income Support, Income Based Jobseeker's Allowance or support under Part 6 of the Immigration and Asylum Act 1999.

[Further Information](#)

Working age population by level of education

Source: Annual Population Survey, ONS

In view of data disclosure requirements, the public version of the Labour Force Survey does not include local authority codes and thus does not permit analysis at the sub-regional level. The Annual Population Survey is designed to fill this gap: its records are the same as those in the Labour Force Survey but with the addition of selected boosts for small local authority areas such that reliable estimates can be obtained at the local authority level. Each record contains a subset of the fields from the Labour Force Survey but with the addition of the local authority codes.

This indicator concerns the lack of educational qualifications as a barrier to work – as those with no qualifications are more at risk of not being in paid work and of receiving low rates of pay. Furthermore, individuals with no or very low qualifications have seen their earnings increase less rapidly in comparison to other groups in the workforce. Due mainly to advances in technology, a greater proportion of jobs require a broader range and higher level of skills, and a greater proportion now require at least some form of qualification.

[Further information](#)

Life Expectancy at Birth

Source: Office for National Statistics

These figures are based on deaths in the period 2005-07.

The figures are rolling three-year averages, produced by aggregating deaths and population estimates for each successive overlapping three-year period, so as to provide large enough numbers to ensure that the presented figures are sufficiently robust.

Life expectancy at birth for an area in each time period is an estimate of the average number of years a newborn baby would live if he or she experienced the particular area's age-specific mortality rates for that time period throughout his or her life. The figure reflects mortality among those living in the area in each time period, rather than mortality among those born in each area. It is not therefore the number of years a baby born in the area in each time period could actually expect to live, both because the death rates of the area are likely to change in the future and because many of those born in the area will live elsewhere for at least some part of their lives.

Life expectancy at birth is also not a guide to the remaining expectation of life at any given age. For example, if female life expectancy was 80 years for a particular area, life expectancy of women aged 75 years in that area would exceed 5 years. This reflects the fact that survival from a particular age depends only on the mortality rates beyond that age, whereas survival from birth is based on mortality rates at every age.

It is these results that are used to monitor the progress of the Government's health inequality target: to raise life expectancy in the most disadvantaged areas faster than elsewhere by 2010.

[Further information](#)

Regular Briefings from the GLA Data Management and Analysis Group (DMAG)

Recent DMAG Briefings 2008:

2008-01	Census Information Note 2008-1	Eileen Howes
2008-02	PayCheck 2007	Lovedeep Vaid
2008-03	GLA 2007 Round Ethnic Group Projections	Baljit Bains
2008-04	Council Tax Analysis	Elizabeth Williams
2008-05	A Profile of Londoners by Country of Birth	Lorna Spence
2008-06	Claimant Count Model 2008: Technical Note	Lorna Spence
2008-07	GLA 2007 Round Demographic Projections	John Hollis
2008-08	Greater London Authority Constituency Profiles	Elizabeth Williams & Caroline Hall
2008-09	Family Resources Survey 2005/06: Results for London	Lovedeep Vaid
2008-10	London Borough Migration 2001-06	John Hollis
2008-11	Social Exclusion Data Team Workplan 2008/09	Social Exclusion Data Team
2008-12	Demography Team Workplan 2008/09	John Hollis
2008-13	Education Team Workplan 2008/09	David Ewens
2008-14	Census Team Workplan 2008/09	Eileen Howes
2005-15	2001 Census Profiles Black Caribbeans in London	Richard Cameron
2008-16	GIS Team Workplan 2008/09	Gareth Baker
2008-17	Lone Parents on Income Support by Ethnic Group	Lovedeep Vaid
2008-18	Schools Key Facts Trends 03-07	Shen Cheng
2008-19	2008 Elections summary	Gareth Piggott
2008-20	SASPAC Workplan 2008/09	Alan Lewis
2008-21	Indices of Deprivation 2007: A London perspective	Rachel Leeser
2008-22	London Ward Level Summary Measures for the Indices of Deprivation 2007	Rachel Leeser
2008-23	General Statistics Team Workplan 2008/09	Gareth Piggott
2008-24	2001 Census: Ethnic Group Migration Structures (as used in Model)	Baljit Bains/Ed Klodawski
2008-25	Census Information Note 2008-2	Eileen Howes
2008-26	London Council By-Election Results, May 2006 to July 2008	Gareth Piggott
2008-27	Social Selection, Social Sorting and Education: "Missing" Children	David Ewens
2008-28	Summary of Social Trends 2008	Elizabeth Williams
2008-29	Children in Benefit Families	Lovedeep Vaid
2008-30	Londoners and the Labour Market	Lorna Spence
2008-31	Child Poverty in London	Social Exclusion Data Team
2008-32	Census Information Note 2008-3	Eileen Howes
2008-33	PayCheck 2008	Lovedeep Vaid

A full list of DMAG Briefings is available to internal customers through the GLA Intranet; otherwise please contact dmag.info@london.gov.uk A CD containing PDF versions of the Briefings, or hard copies, can be provided.

Contact details for the Data Management and Analysis Group

Rob Lewis (020 7983 4652) is **Head of the Data Management and Analysis Group**. rob.lewis@london.gov.uk

John Hollis (020 7983 4604) is the **Demographic Consultant** responsible for the work of the **Demography, Education and Social Exclusion Teams**, and particularly for demographic modelling. john.hollis@london.gov.uk

Eileen Howes (020 7983 4657) is responsible for the work of the **Census, SASPAC and General Statistics Teams** and particularly for census analysis. eileen.howes@london.gov.uk

Gareth Baker (020 7983 4965) is the **GIS Manager** with responsibility for leading work on GI including strategy, the development of data holdings, analysis and dissemination. gareth.baker@london.gov.uk

Steve Forgan (020 7983 4185) is the London Analyst Support Site (**LASS**) **Manager** and is responsible for data exchange & analysis projects for crime reduction in London. stephen.forgan@london.gov.uk

Kelly Rump (020 7983 4655) is the **Business Coordinator**. kelly.rump@london.gov.uk

Demography Team

Baljit Bains (020 7983 4613) is responsible for the analysis of ethnic demography, including ethnic group demographic projections. baljit.bains@london.gov.uk (Maternity leave until September 2009).

Jessica Chamberlain (020 7983 4347) is responsible for ward level projections, the Demography Extranet and borough liaison. jessica.chamberlain@london.gov.uk

Ed Klodawski (020 7983 4694) specialises in ethnicity and health issues. His post is joint with the London Health Observatory. edmund.klodawski@london.gov.uk

Social Exclusion Team

Lovedeep Vaid (020 7983 4699) is responsible for benefits and income data and maintains the Social Exclusion Extranet. lovedeep.vaid@london.gov.uk

Rachel Leeser (020 7983 4696) is responsible for deprivation indicators, ad-hoc surveys and the Social Exclusion Data Users Group. rachel.leeser@london.gov.uk

Education Team

David Ewens (020 7983 4656) is responsible for education research and data analysis. david.ewens@london.gov.uk

Shen Cheng (020 7983 4889) is responsible for school roll projections. shen.cheng@london.gov.uk

Please use the above descriptions in deciding whom to contact to assist you with your information needs. For further details of DMAG staff please contact richard.walker@london.gov.uk