

Social Mobility and Child Poverty Commission

Response to “Measuring Child Poverty: A consultation on better measures of child poverty”

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Social Mobility and Child Poverty Commission
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Introduction

1. The Social Mobility and Child Poverty Commission (the Commission) is an advisory non-departmental public body established by the Child Poverty Act 2010 as amended by the Welfare Reform Act 2012. The Commission became fully operational in January 2013.
2. The role of the Commission is to:
 - Monitor the Government's progress in improving social mobility and reducing child poverty in the United Kingdom.
 - Monitor the implementation of the UK, Scottish and Welsh child poverty strategies.
 - Provide independent published advice to Ministers at their request, including about the measurement of socio-economic disadvantage, social mobility and child poverty.
 - Challenge non-government institutions, such as higher education, business and others, to improve their performance on social mobility.
3. This is the Commission's first piece of advice to Ministers and follows a formal request to respond to the child poverty measurement consultation. Evidence was gathered to inform the Commission's response from a combination of desk research, meetings and roundtable sessions with academics, charities and other experts, and three focus groups with children and young people. The Commission also spoke with officials in the Scottish Government, the Northern Ireland Executive and the Welsh Government. A summary of the public engagement activity undertaken by the Commission to inform its response is provided in the Annex.

Executive summary

4. The Commission welcomes the Government's commitment to ending child poverty. We agree with the Government that "income is a key part of child poverty and who it affects" and that household income must be central to any measure of child poverty. We also agree that poverty is about more than just income. It is important that the framework through which we understand poverty both captures the central place of income and its wider multidimensional nature. Getting the measure right is important not only to allow what is happening to poverty to be accurately tracked: how we measure poverty drives the nature of the public policy effort to eradicate it.
5. The current measures enshrined in the Child Poverty Act 2010 have many strengths including that they provide clear accountability and facilitate international comparisons. For example, the relative poverty measure is regarded globally as a critical means of benchmarking developed countries' performance. They are not, however, designed to capture fully how the different problems facing children in poverty overlap. We therefore agree that a more multidimensional approach could be valuable.
6. Such a new multidimensional measure, however, should be supplementary to the existing framework. The Commission looks to the Government to make a clear commitment to maintain the centrality of income in measuring poverty and to clarify its position on the targets enshrined in the Child Poverty Act 2010. We believe improvements can be made to the current approach and we recommend that the Government in particular considers three areas:
 - How the poverty measures treat benefits in kind such as housing and childcare (where – perversely - spending does not necessarily show up in reduced income poverty even if it is saving poor families money).

- Depth of poverty, where the current severe poverty measure could be strengthened.
 - Chronic disadvantage for relatively small but often deeply marginalised or impoverished groups such as children whose parents are addicted to drugs or alcohol, have chaotic home lives, are involved in the care system or are young carers.
7. We believe that poverty measurement has several functions including capturing people's experience, driving accountability and influencing policy. We therefore want to encourage a broad approach. We have come to the conclusion that no single measure can do all these things adequately if it is to be both credible and robust. One of the Commission's ambitions is to promote better understanding and reporting of poverty based on a range of indicators to avoid the misleading conclusions that can be produced by focusing on a single measure.
 8. A multidimensional approach has considerable potential to provide a richer picture. But to endure such a measure needs to be coherent and understandable. The Commission is concerned that the suite of different dimensions proposed in the consultation conflates the *causes* and the *consequences* of poverty in a way that is likely to be confusing. Factors like poor parental skills or family stability are distinct from the lived experience of poverty, which includes factors like low income, material deprivation, poor housing and debt. We therefore recommend that these types of indicators are separated out.
 9. The Commission believes that the Government should develop a new free-standing multidimensional measure looking at children at risk of poverty. The new measure would focus on causal factors. Meanwhile, factors which seek to describe the experience of poverty could best be allied with the measures in the Child Poverty Act and the UK Government's Child Poverty Strategy - for example by revising the current multidimensional income and material deprivation measure (which is expected to be updated in Regulations next year).
 10. There are particular challenges in arriving at a single number of poor children or children at risk against a measure that combines different dimensions. For example, drawing a cut-off point which says some children with a certain number of problems or risks of problems are poor and others are not is inevitably arbitrary and difficult to do. If the Government goes down this path it needs to meet certain conditions, including publishing detailed data against each dimension and showing how the different dimensions overlap. Ultimately, the usefulness of a multidimensional approach will depend on the detail of how it is constructed. Given the uncertainties about what a new approach will look like, the Commission recommends that the Government should consult again when it has a firmer proposition.
 11. Separating causes and current experience as suggested here could deliver a more rigorous poverty measurement framework: a richer measure in the Child Poverty Act 2010 that captures a broader idea of current poverty; a new measure of chronic disadvantage to track the most marginalised; and a new multidimensional measure looking at the numbers of children at risk of poverty. The particular benefit of separating out different measures in this way is that it would allow the Government to be explicit about how it was prioritising between the causes and consequences of poverty. It would also help identify the numbers of children in families who are at risk of poverty and those who are actually in poverty. The differences between these two figures could itself usefully drive policy and embed a cross-departmental approach - for example by seeking to minimise the proportion of children at risk of poverty who end up in poverty by focussing on improving education or supporting people into employment.

12. It is important that developing a new measure does not distract the Government from taking action to achieve its objective of ending child poverty. Regardless of what measure is used, the commitment in the Child Poverty Act 2010 to abolish child poverty by 2020 remains extremely challenging. The UK Child Poverty Strategy, which will be considered in the Commission's Annual Report later this year, is due for revision in 2014. The Commission urges the Government to clarify its position on the 2020 targets and to develop a clear published plan for how and when it will meet them.

General Comments

13. **The Commission welcomes the clear commitment that the Coalition Government has made to ending child poverty.** Child poverty blights lives. Children who experience poverty are denied an acceptable standard of living, are far more likely than their peers to experience a range of poor outcomes in the future and will often feel shame and stigma. There is a moral and economic imperative to take action to reduce child poverty, both to improve the quality of life experienced by children *today* and to improve the outcomes that children are able to achieve in the *future*.
14. **The way in which the Government measures child poverty has important implications both for the policy interventions which Government uses to tackle poverty and for accountability.** The consultation focuses on the descriptive function of poverty measures to “capture the reality of child poverty in the UK”. However, a new measure will have other – more important – implications beyond this which the consultation document does not discuss in detail. Most important are the potential policy implications of changing the way in which poverty is measured - how will a new measure affect what government does to tackle poverty? Also important is the impact of a new measure on the ability of the public to understand what is happening and effectively hold the Government to account.
15. **The Commission notes that the choice of poverty measure is not a technocratic decision: it is partly driven by the fundamental assumptions that are made about poverty.** Our engagement with stakeholders has revealed a range of different opinions on the merits of the multidimensional measure described by the Government. These have turned not so much on the technical questions that the consultation asks but more fundamental assumptions that different stakeholders make about poverty, for example:
- *The definition of poverty:* Many academic experts and charities emphasised their belief that poverty is about a lack of income and material resources and that – while broader issues around life chances, risks of poverty and experiences of poverty were clearly important and should be measured – they should not be confused with a measure of the extent of poverty. Others were clear that a definition of poverty that excludes these wider issues was partial and left out important aspects of what being impoverished means.
 - *How measurement of poverty interacts with policy:* Many stakeholders questioned whether it is appropriate to alter the definition of poverty and change the way it is measured because of concerns over policy implications: for them, the definition of poverty is a factual matter independent of policy. Others thought poverty needs to be defined in a way that incentivises Government to use (what they see as) the most effective policy levers to tackle it.
 - *Which policies are most effective for reducing poverty:* Many stakeholders suggested that moving towards a multidimensional measure was likely to decrease the relative importance of protecting/increasing income in the Government’s child poverty approach. Views on the merits of a multidimensional measure were often determined by whether this was seen as a good or bad thing.
16. **The Commission agrees with the Government that “income is a key part of child poverty and who it affects” and that household income must be central to any measure of child poverty. It also agrees that poverty is about more than just income alone.** Child poverty often arouses strong feelings and debate about how best to tackle it can be polarised. But beneath the surface

there is a wide consensus about some of the basics. In particular, almost everyone agrees that: poverty is mainly about the inability to achieve a minimum standard of living; that, given the impact it has on the ability of families to afford and access goods and services, the level of household income plays a central role; but that poverty is about much more than income alone. A child's experiences of poverty are self-evidently affected by other aspects of their lives too including their home life, health and well-being, education and housing among other things. Most people also agree that poverty is relative as well as absolute; that is, not just about survival and basic necessities but being able to participate in society.

- 17. The Commission agrees that the framework through which we understand poverty needs to capture its multidimensional nature and that, depending on how it was designed and used, a new multidimensional approach that builds on and supplements the current measures could have a number of benefits.** Children in income poverty are not a single homogeneous group. As the Commission has heard at our consultation events with children, even those in families with the same amount of money may have very different experiences of deprivation depending on, for example, what their housing is like, what their families are like, how healthy they are, where they live (e.g. inner city estate, suburb, rural area); and what services they can access. A multidimensional approach can shine a light on this diversity if it allows policymakers to see how different aspects of the experience of poverty overlap with one another and to look at how these groupings change over time. Recent research by Demos¹ helps illustrate the potential benefits that looking at poverty in this way can bring. It identified five different groupings or typologies of child poverty among households on less than 70% of median income, for each of which a broader set of problems beyond income alone clustered in different ways. Overall, depending on how it was designed and used by Government, the Commission believes that a new multidimensional approach could usefully build on and supplement the current measures, giving a richer picture and supporting a broad policy response where action is embedded across different Whitehall departments.
- 18. The Commission believes that it is important to retain the current poverty measures.** The suite of income measures in the Child Poverty Act 2010 have a number of important strengths that are not fully acknowledged in the consultation document. In particular, they provide clear accountability against the central dimension of child poverty, capture long-term persistence of poverty and facilitate international comparisons. The relative poverty measurement is regarded globally as a critical means of benchmarking developed countries' performance². Further, they form part of a broader UK Child Poverty Strategy³ which includes an additional measure of severe poverty and ten non-income indicators looking at family circumstances and life chances, as well as distinct Scottish and Welsh strategies which have their own emphases. The detailed reporting of the income targets⁴ also helps give a broad view, providing breakdowns of the number of children in poverty and risks of poverty by family type, parental work status, housing tenure, whether anyone in the household is disabled and indicators of unmanageable debt among other things. Overall, the Commission believes it is important to retain the current measures and that any new approach should build on, and enrich, the current strategies.

¹ Wood et al, *Poverty in Perspective*, Demos (2012)

² See *Measuring Child Poverty: New League Tables of Child Poverty in the World's Rich Countries* Innocenti Report Card 10, Unicef (2012)

³ *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives* HM Government (2011)

⁴ *Households Below Average Income: An Analysis of the Income Distribution 1994/95 – 2010/11* Department for Work and Pensions (2012)

19. **The Commission also recognises that the current measures have a number of limitations.** The current measures, with the exception of the material deprivation measure, are not designed to show how different dimensions of the experience of poverty overlap with one another in the lives of individual children. They capture proxies for the individual experiences of poverty that children the Commission spoke with talked about. They also do not: fully cover depth of poverty; fully capture the dynamic nature of poverty (e.g. how sustainable moves out of poverty are); or show how (and whether) children’s lives change when they leave income poverty. Some argue that the headline relative income measure has, in the past, encouraged policymakers to focus on income transfers at the expense of other things (though it is unclear if the income targets have influenced decisions on benefits and tax credits more recently⁵) and on moving people from just below to just above an “arbitrary” poverty line. The Commission notes that the Institute for Fiscal Studies has analysed this latter claim and found that there was little evidence to support it - on the contrary, the reduction in child poverty was very similar for all poverty lines between 55% and 75% of median household incomes⁶. Nonetheless, depending on how it was designed and used by the Government, a multidimensional approach could be a useful supplement to the current measure and potentially help alleviate some of its limitations.

20. **The Commission recommends that the Government considers improvements to the existing measures.** Alongside work to take forward a multidimensional approach, there are specific features of the current suite of measures that could be strengthened.

- One clear limitation arises from the way in which **benefits in kind** are treated in current child poverty measures. In particular, the benefits associated with the provision of childcare to low income families or on providing social housing at sub-market rents do not show up as part of household income even though they make an obvious contribution to alleviating poverty and making people better off. This also has the effect of potentially skewing public policy responses to emphasise income transfers and de-emphasise early intervention and childcare services - even though OECD evidence suggests that those countries which are most effective at reducing poverty combine both services (especially early years) and income transfers and that the UK may not have an optimal mix between the two⁷. The Government should consider whether some benefits in kind – particularly housing and childcare – can be better incorporated into the current income measures. The latter could help encourage the Government to make the investments in affordable early years childcare that the OECD highlight as being crucial to reducing poverty via higher parental employment.
- Another critical limitation is that the income measures do not effectively capture the issues faced by **families facing chronic disadvantage** (e.g. where parents are addicted to drugs or alcohol, children have chaotic home lives, children are involved in the care system or the criminal justice system, or children are carers). The Government is rightly concerned to do more to identify and help those affected by these problems – and some of these groups are a particular concern of its Social Justice

⁵ For example, the Autumn Statement uprated benefits by less than inflation which the Government has estimated will, over three years, increase poverty as measured by the relative income target by 200,000 compared to uprating by CPI. An often cited counter example is the commitment made by the Coalition Government in Budget 2010 and the Spending Review 2010 to increase Child Tax Credit by £8 billion to ensure they had no measurable impact on child poverty for two years, though this policy was subsequently reversed

⁶ Brewer et al, *Child Poverty in the UK Since 1998/99: lessons from the past decade*, Working Paper 10/23, Institute for Fiscal Studies (2010)

⁷ For example, *Doing Better for Families*, OECD (2011) concluded that “countries that do well on family outcomes devote about half of public spending on family benefits to in-kind services, including quality early childhood care and education services” (compared to about a third in the UK)

Strategy⁸. But it is difficult to track affected individuals or families over time or capture the issues they face – both because of technical barriers (e.g. estimating these problems from surveys of the population will be difficult due to issues caused by small sample sizes) and also because of uncertainty over scale (e.g. most children in poverty do not experience these issues⁹). The Commission recommends that the Government looks further into developing an additional measure of chronic disadvantage, building on the Social Justice Outcomes Framework¹⁰ and the Department for Communities and Local Government’s work with “troubled families”¹¹.

- A final limitation is that the income measures do not fully explore **depth of income poverty** and how far the incomes of households in poverty are below the relative poverty line. Many academics we have spoken to have made the case for such a measure and, for example, a measure of the median “poverty gap” – the average difference between incomes of families below the poverty line and the poverty line – is published in data on international poverty comparisons¹². While there are potential technical challenges¹³, the Commission would encourage the Government to consider the relationship between these concerns and the proposal it made in its UK Child Poverty Strategy for a new measure of severe poverty.

21. As our proposals for improving the existing suite of measures imply, the Commission believes that it is important to look at a range of different numbers in assessing progress in tackling child poverty. Different measures tell us different and useful things about child poverty and each has strengths and weaknesses. For example, a relative poverty measure can – taken in isolation - be misleading in some circumstances such as during periods of rapid income growth (when those on low incomes are experiencing rapid rising living standards while relative poverty is increasing) or during periods of significant falls in median incomes (when relative poverty can fall while income stagnates; though it is worth noting that these are historically relatively unusual). Similarly, fixed poverty lines tend, over time, to become out of date and disconnected from the level of resources that people need to participate in society. A sensible approach is to look at several different measures in assessing child poverty and considering trends, acknowledging that each tells us important and different things about what is happening. In light of this analysis, the Commission notes that the behaviour of the relative income measure during the recession is not necessarily a strong argument against it: there are four income measures in the Child Poverty Act 2010 (absolute income poverty, relative income poverty, low income and material deprivation and persistent poverty) that together provide a detailed view. At the moment, when median incomes are under pressure, we can look to the absolute poverty measure to tell us what is happening to the living standards of those on low incomes. The Commission sees part of its role as encouraging a better understanding in the media and elsewhere that a focus on one number alone may not be helpful. The Commission will look at a wide range of indicators to assess the Government’s performance and encourages others to do the same.

⁸ *Social Justice: Transforming Lives* HM Government (2012)

⁹ For example, the Government has identified 120,000 “troubled families” (where children experience multiple disadvantage) which compares to the 1.3 million households containing children in relative income poverty (before housing costs)

¹⁰ *Social Justice Outcomes Framework* Department for Work and Pensions (2012)

¹¹ See *Troubled Families Explanatory Note* Department for Communities and Local Government (2011)

¹² See *Measuring Child Poverty: New League Tables of Child Poverty in the World’s Rich Countries* Innocenti Report Card 10, Unicef (2012)

¹³ See for example *Measuring Child Poverty* Department for Work and Pensions (2003)

22. **Although the Commission believes that a new multidimensional approach is desirable as a supplement to a revised version of the existing indicators, we are concerned that the suite of different dimensions proposed in the consultation conflates the causes and the consequences of poverty in a way that is likely to be confusing.** A new measure needs to be credible, coherent and understandable if it is to become a permanent part of the poverty framework. But it is not clear that the proposed approach currently meets these requirements. That is because the list of dimensions in the consultation document includes facets of poverty that are primarily about material circumstances in the here and now (e.g. income and housing) but also includes risk factors that put a family at higher risk of poverty today or a child at higher risk of poverty in the future (e.g. worklessness and access to quality education). The Commission is concerned that this mixes up causes and consequences. Risk factors and current experience are different things that should not be conflated. For example, having parents with low levels of education means a family has a higher probability of being poor which is important to know and track. Having parents with low education is not in our view, however, part of the experience of poverty because it does not in itself affect children's current standards of living apart from through its potential effect on income.
23. **There are a number of different ways in which a more coherent multidimensional approach could be taken – a new multidimensional measure as described in the consultation is just one option.** There is a range of different ways of taking a broader approach and the Commission have heard a number of arguments about their benefits and limitations (see Table 1).
24. **The Commission believes that the Government should develop a new multidimensional measure focussed on risks of poverty, allaying factors describing the experience of poverty with existing measures in the Act.** The Commission believes that the Government should develop a new multidimensional measure looking at risks of poverty. Meanwhile, factors which seek to describe the experience of poverty could best be allied with the measures in the Child Poverty Act and the UK Government's Child Poverty Strategy - for example by revising the current multidimensional income and material deprivation measure (which is expected to be updated in Regulations next year).
25. **Separating causes and current experience could deliver a more rigorous poverty measurement framework: a richer measure in the Child Poverty Act 2010 and the UK Child Poverty Strategy that includes a broader idea of current poverty; a new measure of chronic disadvantage to track the most marginalised; and a new multidimensional measure of the risks of poverty.** Having different measures with clearly distinct functions would allow the Government to be explicit about how it was prioritising between the causes and consequences of child poverty. It would also help identify the numbers of children in families who are at risk of poverty and those who are actually in poverty. The differences between these two figures could itself usefully drive policy - for example by seeking to minimise the proportion of children at risk of poverty who end up in poverty by focussing on improving education or creating employment.
26. **The Commission notes that there are real challenges in combining different dimensions to produce an estimate of the total number of children at risk of multidimensional poverty.** Combining different dimensions into a single number estimate of the total number of children at risk of poverty in a way that is robust, widely accepted, credible, transparent and that creates the right incentives for policy is likely to be difficult. Key challenges include ensuring that it:
- *Is robust:* it is difficult to arrive at an objective basis for weighting different dimensions, especially when considering different categories of dimension

(e.g. how can the impact on children's lives of attending a failing school be compared to the impact of poor housing).

- *Is widely accepted*: there is bound to be reasonable disagreement in the trade-offs people make between dimensions (e.g. some think income is most important while others highlight the importance of services).
- *Is credible and transparent*: it may be difficult to interpret trends in a single number without disaggregating them (if different parts of the composite move in different direction). Equally there may be credibility issues – for example, if the measure falls at the same time as key elements are rising significantly.
- *Creates the right policy incentives*: aggregating dimensions may create perverse incentives e.g. to focus on dimensions that are easy to influence at the expense of arguably more important ones.

27. Overall, however, the Commission acknowledges there are arguments in favour of producing such an estimate, providing certain conditions are met.

We have heard a number of arguments in favour of a single number including that it could provide a high-level summary of the Government's overall performance in tackling risks of poverty across several dimensions and make a multidimensional estimate more accessible to policymakers, the public and the media and so encourage focus on it. We also note that there are several examples of multidimensional measures of poverty being used to estimate the numbers of children in poverty (though more usually in developing countries)¹⁴. If the Government goes down this path, we believe it should meet a number of conditions including that: it does not mix up different categories of dimension; that detailed data is published to underpin the headline estimates; that it is considered to be robust by academic experts; and that the Government is careful to monitor and manage perverse incentives (for example, the temptation to focus on reducing the easiest dimension rather than the most important).

28. The Commission recommends that the Government consults again when it has a more fully worked up proposition.

Given the number and range of uncertainties in relation to a multidimensional approach and the importance of building wide consensus behind a new measure (one of the Government's stated success criteria) it makes sense for the Government to consult again on a more detailed proposal. The devolved administrations and local government should continue to be fully involved in discussions as a new measure also needs to work for them. In the meantime, it is important that work developing a new measure of poverty does not distract from the key priority of the Government and others working in this area: actually taking concrete steps to tackle child poverty and its causes.

29. Whatever the measure, the context for the consultation is the commitment in the Child Poverty Act 2010 to abolish child poverty by 2020. The Commission notes that meeting these targets will be extremely challenging.

It now seems vanishingly unlikely that this Government will hit the targets in the Child Poverty Act. The Institute for Fiscal Studies has previously projected that, by 2020/21, relative poverty will increase from 18% to 24% (compared to the target of 10%) and absolute poverty from 18% to 23% (compared to the target of 5%)¹⁵. Although the Government argues that these projections do not fully reflect

¹⁴ See for example Alkire and Foster *Counting and Multidimensional Poverty* in Braun et al (Eds) *The Poorest and Hungry: Assessments, Analyses and Actions* International Food Policy Research Institute (2009); Tomlinson, Walker and Williams *Measuring Poverty in Britain as a Multidimensional Concept, 1991 to 2003* Barnett Papers in Social Research 2007/06 University of Oxford (2007); *Methodology for Multidimensional Poverty Measurement in Mexico* – Consejo Nacional de Evaluación de la Política de Desarrollo Social [CONEVAL] (2010)

¹⁵ Brewer et al, *Child and Working Age Poverty from 2010 to 2010*, IFS Commentary C121, IFS (2011)

the behavioural implications of policies such as the planned introduction of Universal Credit, other changes made recently – notably, below inflation uprating of benefits – have made meeting the targets even more challenging.

30. **The Commission believes that the Government needs to clarify its position on the 2020 targets and develop a clear plan for how and when it will meet them.** The Commission accepts that on any of the measures the Government has discussed, reducing poverty will not be easy and a new approach has the potential to help rather than undermine commitment to the issue by supporting a broad approach. Without clarity about how the Government intends to meet the 2020 targets, however, it risks a repeat of what it has rightly criticised the previous administration for – an approach to meeting child poverty commitments that was incremental rather than being informed by a clear long-term plan. Many of this Government's policies intended to tackle child poverty are aimed at life chances, improving educational and other outcomes to help prevent children in poverty today from being in poverty as adults. These policies are welcome and additional measures of poverty and its causes will be helpful if they ensure the Government does more here. However, it is clear that these kinds of intervention only act over the long term and are highly unlikely to make a profound difference to child poverty over the next few years. So there is potentially a tension between the Government's stated intentions of reducing child poverty in the short-term and its strategy, which is long-term. The UK Child Poverty Strategy, which will be considered in the Commission's Annual Report later this year (along with the Scottish and Welsh strategies) is due for revision in 2014. The Commission believes that the Government needs to set out a clear pathway for how it will reduce child poverty in the short-term and when it plans to end it in the longer term.

Table 1 – Different Options for a Multidimensional Approach

Option	Insight into the ‘reality of poverty’	Policy influence and accountability
<p>Option 1 – Keep Status Quo</p> <p><i>Current income targets plus UK Child Poverty Strategy targets</i></p>	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • Reflects the centrality of income to poverty. • Allows international comparison and tracking over time. • The Act includes a suite of four measures which tell you about absolute poverty, persistent poverty and material deprivation: the focus on only one of these has exaggerated the weaknesses of current measurement. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • Income measures ignore the multidimensional nature of poverty and have arbitrary features (e.g. drawing the threshold at 60% of median income). • The headline relative income measure can act perversely during recessions (though the other income measures mitigate this). • Income measures can move without real change in children’s living standards or life chances. • There are a number of other limitations of income targets: e.g. the current suite doesn’t capture depth of poverty well or many benefits-in-kind which improve a child’s quality of life. • Doesn’t capture chronic disadvantage like parental addiction or involvement in the care system. 	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • Focuses poverty strategies on increasing the material living standards of poor children with strong accountability. • The evidence that income targets led to poverty reduction strategies overly focused on income transfers can be contested. • Measurement should be separated from policy/politics: poverty is about material resources and this is what should be measured. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • Some evidence that income targets have in the past focused policy on income transfers rather than on tackling the causes of poverty. • In a time of austerity, it is helpful to be able to drive policy towards a broader range of factors than income alone – especially if progress has stalled towards the statutory targets on the income-transfers approach allegedly used previously.
<p>Option 2: Move to revised status quo</p> <p><i>Account for some benefits in kind (e.g. housing, childcare) and include a measure of depth of poverty</i></p>	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • Deals with some of the limitations of income targets while reflecting the centrality of income to poverty. • Gives a clearer picture of households’ disposable income. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • Too similar to the current measures: ignores the multidimensional nature of poverty and does not deal with other limitations. • It may be better to move to a measure based on consumption rather than income. 	<p><u>Arguments made for include:</u></p> <ul style="list-style-type: none"> • Deals with some concerns on the perverse incentives of current targets (e.g. spending on benefits in kind such as housing and childcare would be reflected in poverty numbers in a way they are not now). <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • Any measure that looks at income alone will skew policy away from tackling wider causes of poverty beyond material factors.

Option	Insight into the 'reality of poverty'	Policy influence and accountability
<p>Option 3: Introduce a multidimensional measure: consultation option</p> <p><i>Multidimensional measure that combines dimensions about experience of poverty, risks of poverty and life chances into a single number</i></p>	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • Provides a better description of the broad nature of poverty (e.g. debt, housing, education) and its effects by showing the number of problems different children have and the overlaps between them, which is what we really want to know about individual children. • Poverty is multidimensional – measuring it in this way minimises the risk of making false inferences about trends in poverty. • Fits well with how the public thinks about poverty in some surveys. • Looking at changes over time at the individual level will be useful for policymakers. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • A measure that combines different categories of dimensions – causes, current experience and risks to life chances may not be coherent. • It is (arguably) not a measure of poverty but something broader: on this view, poverty is about minimum standards of living defined as income and material deprivation. • The measurement of poverty is a technical matter like GDP or inflation – measurement of these is not based on public opinion. • Such a measure is complicated and introduces lots of problems of its own e.g. how to weight and combine different dimensions. • A single number is opaque and needs to be broken down into its constituent parts to make sense. • It is difficult to determine thresholds for poverty cut-off points or account for severity in an evidence-based way e.g. how do we know someone with four problems is poor but someone with three is not. 	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • A multidimensional measure may encourage broader and more effective policy. This is especially important if there is less scope for income transfers. It would, for example, help get buy-in from different Departments. • Allows policymakers to understand overlaps between different aspects of poverty and devise more sophisticated strategies. • Measures of poverty inevitably drive policy. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • A multidimensional measure may dilute focus on increasing income and – through its complexity – enable less overall focus on addressing child poverty. • A single number multidimensional measure may allow gaming of the figures e.g. reducing poverty by focusing on the easiest to move rather than the most important dimensions. • As a matter of principle, problems in policy should not be fixed by altering measurement.
<p>Option 4: Dashboard of indicators</p> <p><i>Dashboard of different dimensions – probably from different sources - not combined into a single index (similar to “Opportunity for All”)</i></p>	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • More informative than a single number – allows a range of factors to be looked at without artificial conflation or arbitrary cut-offs. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • It does not allow policymakers to see how different problems overlap and so is much less informative for policy. • It has too many different indicators – public focus will still be on the headline income indicators rather than multidimensional poverty (as it was when the last Government produced the Opportunity for All indicators) 	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • It could help drive a broader approach alongside a focus on incomes. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • It is unlikely to have influence on policy because of its complexity and breadth: policymakers would still be likely to focus on the headline income targets.

Option	Insight into the 'reality of poverty'	Policy influence and accountability
<p>Option 5: Multidimensional measure: more than one measure</p> <p><i>Suite of two (or possible three) different multidimensional indices covering: a) experiences of poverty; b) risks of children experiencing poverty now (current risks) and in the future (impact of poverty on life chances)</i></p>	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • It lets the public and others look at a range of different factors and the overlaps between them without artificially conflating different orders of indicator. • Changes in an index combining dimensions within the same category can be more easily interpreted. • It is easier to weight such a measure as do not need to trade-off between e.g. experiences today and future life chances. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • Concern about mixing up different orders of indicator is an academic concern – the public see all of this as integral to what poverty is. • Too complicated – the multidimensional measure of current experience overlaps with the material deprivation measure. • Some have questioned whether or not there are clear distinctions between different domains like causes and experience and life chances. • It is difficult to determine thresholds for poverty cut-off points in an evidence-based way e.g. how do we know someone with (say) four problems is poor but someone with three is not. 	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • Could drive a broader approach alongside a focus on income. • Gaps between different multidimensional measures could themselves have influence (e.g. if life chances deteriorated while current poverty remained the same). <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • May not have an effect in encouraging Government to focus more on causes if attention is still mainly on the headline income and material deprivation measures.
<p>Option 6: Multidimensional measure looking at causes of poverty with a revised material deprivation measure</p> <p><i>A new multidimensional measure looking at risks of poverty combined with a revised material deprivation measure that captures more dimensions of the experience of poverty</i></p>	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • This would have several of the advantages of option 5 while avoiding the complexity of creating a new 'current experience' measure that partly replicates the material deprivation measure in the Act. • Creates a broader view of current poverty while building on what is effectively already a multidimensional measure in the existing suite (e.g. debt and poor housing are already partly included). • Analytically coherent to have 'current experience' elements in one place and causes in another. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • Has some of the disadvantages of option 5 (though is less complicated). • Understanding of poverty could still be too heavily shaped by the headline relative income poverty measure. • The measure of experiences of poverty may still be too heavily determined by income and material resources rather than broader factors. 	<p><u>Arguments made in favour include:</u></p> <ul style="list-style-type: none"> • Has the advantages of option 5 while being less complicated – it may be more powerful at driving a broader approach and reduces risks of taking a narrow focus. • Can track both those at-risk of poverty and those currently experiencing it and gap between them. <p><u>Arguments made against include:</u></p> <ul style="list-style-type: none"> • May not have an effect in encouraging Government to focus more on causes if attention is still mainly on the headline income and material deprivation measures.

POTENTIAL DIMENSIONS

Q1 - Are there other dimensions we should consider for inclusion in a multidimensional measure of poverty?

The Commission recommends that the Government clarifies the methodology and criteria informing its decisions about which dimensions to include in multidimensional measures of poverty

31. As noted above, we recommend that the Government allies additional dimensions relating to the current experience of poverty with the existing income and material deprivation measure in the Act (which is already a multidimensional indicator) and develops a new multidimensional measure looking at risks of poverty.
32. Inclusion of a dimension in a multidimensional indicator – either in a revised income and material deprivation measure looking at current poverty or in a multidimensional measure looking at risks of poverty – implies that it is one of the most important aspects of a child’s current experience of poverty or one of the most important factors putting families at greater risk of poverty today/children at greater risk of poverty in the future.
33. A key challenge for the Government is ensuring that the dimensions it includes in multidimensional measures of poverty are the right ones. There are risks that the choice of dimensions will not be robust, excluding some indicators that are important and including some indicators that are not important. There are also risks of mixing up different categories of dimensions – for example, including dimensions that are only relevant to *risks* of poverty in a multidimensional measure of the current *experience* of poverty.
34. The Commission recommends that the Government clarifies the methodology and set of criteria being used to determine which dimensions are included and which are not – they need to be clear, robust and transparent. This will help the Government in achieving its objectives of ensuring that poverty measures are widely accepted by the public and experts as a fair representation of poverty.
35. Criteria that the Government may be drawing on and want to make explicit include (non-exhaustively):
 - *size of impact on children’s lives* (whether the dimension has a significant independent impact on experiences of poverty or risks of poverty)
 - *relevance to experience of poverty* (whether the dimension affects a child’s current experience of poverty)
 - *relevance to risks of poverty and life chances* (whether the dimension affects risks of families being in poverty today or children’s life chances)
 - *relevance to income poverty* (extent to which there is overlap between those in income poverty and the dimension of interest)
 - *prevalence of dimension* (whether the dimension is an issue that affects many children in poverty or only a small minority)
 - *support from academic experts and the wider public* (whether there is a consensus that a dimension should be included)
36. The Government should also refer to the methods and criteria used in other attempts to develop multidimensional indices of poverty¹⁶ and the methodologies used for developing composite multidimensional indices more broadly¹⁷.

¹⁶ See for example Alkire and Foster *Counting and Multidimensional Poverty* in Braun et al (Eds) *The Poorest and Hungry: Assessments, Analyses and Actions* International Food Policy Research Institute (2009); Tomlinson, Walker and Williams *Measuring Poverty in Britain as a Multidimensional Concept, 1991 to 2003* Barnett Papers in Social Research 2007/06 University of Oxford (2007); *Methodology for Multidimensional Poverty Measurement in Mexico* – Consejo Nacional de Evaluación de la Política de Desarrollo Social [CONEVAL] (2010)

¹⁷ See for example *Handbook on Constructing Composite Indicators: Methodology and User Guide* OECD (2008); McLennan et al *The English Indices of Deprivation 2010* Department for Communities and Local Government (2011)

Our discussions with stakeholders have highlighted a number of potential omissions as well as identifying some dimensions whose inclusion is questioned

37. The Commission's public engagement and our work reviewing the academic literature has highlighted several dimensions that may be relevant to experiences of poverty, risks of poverty and the impact of poverty on a child's life chances that are not included in the set of dimensions proposed in the consultation.
38. The Government should consider whether there is a case for including these dimensions in multidimensional measures of child poverty. Potential omissions that have been identified include:
- *In-work poverty* (e.g. many stakeholders noted that 60% of children in poverty are in working households and argued for a broader "work" dimension looking at low paid work, hours worked and some aspects of quality of work)
 - *Child health and well-being* (e.g. child health and child well-being/happiness emerged as important themes in our focus group with Year 6 children. Poverty often involves feelings of shame and inferiority)
 - *Quality of local area* (e.g. many stakeholders noted this was an important dimension in its own right and not just a subset of poor housing; though others argued it mattered more to current experience than to life chances)
 - *Resilience to poverty* (e.g. some stakeholders suggested that it was important for a measure to capture factors that help families cope with low income)
 - *Access to public and private services* (e.g. many highlighted that those in poverty often had worse access to a range of public and private services which made the experience of poverty more difficult. The consultation refers to quality of education but not others. This may be especially relevant in the context of rural poverty)
 - *Social participation* (e.g. many noted the importance of social participation to the experience of poverty - social support, friends, loneliness, bullying, stigma and so on)
 - *Other life chances factors* (e.g. consider whether to include the indicators in the social mobility strategy and others related to life chances such as teen pregnancy and smoking)
39. Overall, the Commission's engagement with stakeholders suggested that there is a good case for inclusion of most of the dimensions that the Government has identified within a multidimensional approach. Some were concerned about family stability – arguing that family structure does not have an impact on experiences of poverty independent of income and other parental characteristics, though there was more sympathy to the view that frequent transitions could be damaging. There was also debate about what should be included in some dimensions – for example, how to treat very consequential but relatively less prevalent problems like parental drug addiction. A final area of debate was the relative importance of different dimensions, with many highlighting the importance of income and material deprivation compared to other dimensions and the need for a multidimensional measure to reflect this.
40. An issue prompting widespread concern and comment was the risk that combining all of these dimensions into a single multidimensional measure would not be coherent – very few of the academic experts that the Commission spoke to departed from this view. As emphasised earlier in its response, the Commission believes that a multidimensional approach will be most credible if the Government avoids mixing up dimensions related to experiences of poverty on the one hand with those related to risks of poverty or impacts of poverty on life chances on the other.

DIMENSION 1 – INCOME AND MATERIAL DEPRIVATION

Q2 – How should we measure income as a dimension in a future multidimensional measure of child poverty? How important are relative and absolute poverty?

The Commission agrees with the Government that income is at the heart of child poverty. It follows that income will be the most important dimension in a multidimensional approach to measuring child poverty

41. There is a wide consensus that child poverty is about being unable to achieve a “minimum standard of living” (while there are differences in opinion about what this “minimum standard” is) and that, given the impact it has on the ability of families to afford and access goods and services, the level of household income plays a central role. As the Government has stated, “income is a key part of child poverty and who it affects”. It follows that income will be the most important dimension in a multidimensional approach to measuring child poverty.

The Commission believes that poverty is both an absolute and a relative concept. Having sufficient resources to secure basic necessities for survival such as food, shelter and clothing clearly matter. But so too does the ability to take part in society. Therefore poverty can only be determined with reference to contemporary living standards in the places where individuals live.

42. There is some debate about how income poverty should be defined and the consultation raises the question of whether an absolute or relative measure should be used.

43. The Commission believes that poverty is not only about being free of hunger and having other basic necessities of life but also about not being able to fully participate in society. It is therefore inherently a relative concept. Few would argue that the minimum standard of living for someone in the UK would be the same as the income thresholds used by the World Bank for developing countries (e.g. the \$1.25/day ‘extreme poverty’ threshold).

44. As Adam Smith – considered by many to be the father of modern economics – said in the *Wealth of Nations* in 1776¹⁸, the goods and services that are considered necessary to have in a given society depends on what is normal for those in that society to have:

- *By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably though they had no linen. But in the present times, through the greater part of Europe, a creditable day labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty which, it is presumed, nobody can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England.*

Relative measures of poverty do have some limitations as representations of income poverty and should be supplemented by other measures of income poverty to ensure the right inferences are made from them

45. As the consultation document highlights, relative measures of poverty can have a number of limitations. Just as a fixed line can get out of date as society gets richer, so a relative line can appear to act strangely when average incomes are rising very quickly or

¹⁸ *An Inquiry Into The Nature and Causes of the Wealth of Nations* – Adam Smith (1776)

are falling. It is therefore important that the way in which income poverty is measured provides a complete picture. The Commission believes that an effective way of doing this is to retain the existing suite of four indicators in the Child Poverty Act 2010: absolute income, relative income, a modified combined low income and material deprivation measure, and persistent poverty, as well as the additional severity measure in the Child Poverty Strategy, and the suggested areas for improvements to the existing suite of measures set out earlier in this response.

Q3 – How does the ownership of assets such as a house affect our understanding of poverty?

The Commission believes that ownership of assets *can* help alleviate the experience of income poverty, and support long-term prospects for children

46. Ownership of assets *can* help alleviate the experience of income poverty, especially over temporary periods of low income. Families with significant assets may – if they choose to – be able to use them to supplement temporarily low income and maintain their standard of living by running down their savings or selling off other assets. Housing assets often also have benefits in terms of increasing the disposable incomes of owner occupiers compared to renters as many owners have lower housing costs – particularly if they own outright or bought some time ago. There is also some evidence that ownership of assets has positive long term effects¹⁹.

However, few children in poverty are in families with significant financial assets. Home ownership is a lot more common but there are questions about how to take account of this in poverty measurement

47. Very few children in poverty are in families with significant financial assets: for example, 67% are in families with no savings at all. Rather more have housing assets – 41% of children in relative poverty live in an owner occupied home meaning their parents will hold some wealth (10% of children in poverty live in houses that are owned outright and 31% where they are owned with a mortgage²⁰).

48. There is evidence that children in income poverty in owner occupied housing do tend to experience a higher standard of living than those in other tenure type: while 41% of those in relative poverty before housing costs are in owner occupied housing, only 32% of those in relative poverty after housing costs and 18% of those experiencing material deprivation and low income are.

49. There are several potential options for taking account of the value of housing assets including:

- Reporting income poverty after housing costs (already calculated in the Government's statistics). However, there are limitations of this approach: housing costs are – at least to some extent – discretionary (e.g. choice over size, location and quality of accommodation) and this measure would take no account of the value of the housing asset itself (e.g. the average house in England is worth £241,000 and as much as £393,000 in London²¹).
- Including a measure of income from housing assets²² in a before housing costs measure (e.g. including imputed rental income that owner occupiers receive from their housing assets) though this is rather complicated and may not be understandable to the public.

¹⁹ See for example Paxton and Bynner *The Asset Effect* Institute for Public Policy Research (2001)

²⁰ All statistics taken from *Households Below Average Income: An Analysis of the Income Distribution 1994/95 – 2010/11* Department for Work and Pensions (2012)

²¹ *House Price Index, November 2012* Office of National Statistics (2013)

²² One option for doing this has been proposed in Stephens and Van Steen *Housing Poverty and Income Poverty in England and the Netherlands*, Housing Studies, 26(7-8) (2011)

50. There is a philosophical question about whether families with housing equity are really in poverty given they could – in theory – access some of their housing equity by downsizing or moving to a cheaper area or selling their home and moving into the private rented sector. This is a very difficult question to answer. It is worth noting that the current approach in most policy areas is to acknowledge that housing assets are different to other assets (e.g. capital gains and imputed rents from owner occupied housing are not taxed). It is also worth noting that 86% of pensioners in poverty own their own home²³ – there are many who are asset rich but income poor, with low living standards as a result. In any case, data constraints may prevent the Government from factoring in housing equity into child poverty measurement: for example, the amount of housing equity an owner occupier holds is difficult to estimate.

Q4 – How can an income dimension in a multidimensional measure of child poverty avoid the drawbacks associated with a simple income threshold?

There are a number of ways in which the potential drawbacks of using a simple income threshold in a multidimensional measure could be avoided

51. It is worth noting that any poverty measure that seeks to arrive at a number of poor children – whether it looks at income alone or more broadly – would need to use a threshold to determine who is in poverty and who is not. For example, a multidimensional measure would need to draw “poverty thresholds” for each of the dimensions it looks at (e.g. the level of school quality which is not acceptable) as well as a threshold for how many dimensions an individual would need before they were counted as in poverty against a multidimensional measure (e.g. in poverty if poor against four of the dimensions, not in poverty if poor against three of the dimensions).

52. There are several ways in which the potential drawbacks of threshold measures of income can be avoided including:

- The media and others should avoid focusing on one measure of income poverty alone and take a long-term view. Each of the four measures in the Child Poverty Act 2010 tells us something different and, to ensure the right inferences are made from them, they need to be considered together, alongside the more detailed analysis that is published alongside them and while looking across several years rather than focusing on one year alone. The Commission wants to encourage a broader approach to public understanding of poverty. We will look at performance across a range of indicators.
- Develop an income measure that is built from the bottom-up rather than the 60% median threshold which, while internationally accepted and a long-standing measure, is ultimately an arbitrary choice. The Government could build on the methodology used by the Joseph Rowntree Foundation in their “Minimum Income Standard”²⁴ to develop an income threshold that is based on public opinion and other evidence about what the minimum income needed to live in the UK is.
- Utilise a higher income threshold than that used in the income targets to avoid excluding some children who experience poverty against a multidimensional measure on the grounds that they are above a “simple income threshold”.
- The targets in the Child Poverty Act 2010 include a measure of low income and material deprivation – this captures living standards and experiences of poverty more broadly in addition to looking at income. As noted above, we propose that the Government includes a wider range of ‘current experience’ factors in the combined low income and material deprivation measure.

²³ *Households Below Average Income 2010/11* Department for Work and Pensions (2012)

²⁴ Davis et al *A Minimum Income Standard for the UK in 2012* Joseph Rowntree Foundation (2012)

DIMENSION 2 - WORKLESSNESS

Q5 – How important is worklessness as a dimension in a future multidimensional measure of poverty?

Worklessness and lack of work more generally have a significant impact on raising the risk that a family will be poor. Parental worklessness also has an independent impact on a child’s life chances. The Commission believes that it will be important for a multidimensional measure of risks of poverty to capture worklessness but it also needs to capture in-work poverty too

53. Lack of work is a very important risk factor associated with a family being in income poverty. The Households Below Average Income data²⁵ illustrates the correlation between the amount of work that a household does and their risk of being in poverty. As well as whether or not someone has a job, the hours they work and their pay are also important. For example:

- Looking at children in couple households, the risk of being in poverty is 58% for workless households, 43% for those households where someone is in part-time work (and no-one in full-time work), 18% where one parent is in full-time work and one not working and only 2% where both parents are in full-time work.
- Looking at the household work status of children in poverty, 60% of children in poverty are in working households. However, only a small minority of these children are in households where all parents are in full-time employment and almost a fifth are in couple households where no-one works full-time.

54. Unemployment has well-documented independent impacts on adult wellbeing and is associated with negative health outcomes – particularly when it is long-term (see below)²⁶. However, the evidence suggests that the impact of parental worklessness on children’s current experiences of poverty is largely through the impact it can have on household income so it looks best suited to a multidimensional measure which looks at the risks of poverty.

55. The evidence also suggests that parental worklessness has a statistically significant (though relatively small) independent effect on a child’s life chances. For example, one study²⁷ found that children of fathers who lost their job during the recession in the 1980s obtained, on average, half a GCSE at grade A*-C less than similar children and were somewhat less likely to be employed themselves during their early twenties. Other studies have found parental worklessness has negative impacts on life chances of similar orders of magnitude²⁸.

²⁵ *Households Below Average Income: An Analysis of the Income Distribution 1994/95 – 2010/11* Department for Work and Pensions (2012)

²⁶ See for example *First Annual ONS Experimental Subjective Well-Being Results* Office for National Statistics (2012); Mclean et al *Worklessness and Health - What Do We Know About the Causal Relationship? An Evidence Review* NHS Health Development Agency (2005)

²⁷ Gregg et al *The impact of fathers’ job loss during the recession of the 1980s on their children’s educational attainment and labour market outcomes* Fiscal Studies (June 2012)

²⁸ See for example Barnes et al *Intergenerational transmission of worklessness: Evidence from the Millennium Cohort and the Longitudinal Study of Young People In England* Department for Education Research Report 234 (2012)

Q6 – How should worklessness be measured?

The Commission believes that measuring worklessness against the binary worklessness/working threshold would lose a lot of important information and a measure would ideally be broader

56. Worklessness is a critical but incomplete measure of how work (or the lack of it) affects risks of poverty and it is important that any new measure incentivises effective and complete policy responses. Any work is better than none but, if people are to escape poverty under their own steam, policy should aspire to get people into work that is sustained, with sufficient pay to escape poverty without the need for in-work benefits, and that gives opportunities for progression.
57. Ideally, the way worklessness/work is measured in a multidimensional approach would capture a number of things including:
- Some people will have good reasons not to work (for example, those with certain disabilities; those caring for very young children): looking at “worklessness among those who can/should work” may drive more effective policy.
 - Working a few hours a week often has little impact on the risk of poverty: there are arguments for the measure to look at “working enough” rather than “working at all” – perhaps by linking the measure to those working above their Universal Credit employment commitment.
 - Many of those in low paid work who are “working enough” would be in poverty without the receipt of in-work benefits (and some remain in poverty even while receiving in-work benefits, though we note that Universal Credit is intended to correct this).
 - Quality of work is important: one potential issue is the increasing flexibility demanded of those in low paid work on zero hour contracts or in self-employment leaving them to bear risks that they may be ill-equipped to do so.
 - Persistent worklessness and recurrent worklessness (the “low pay, no pay cycle”) have more severe impacts on risks of poverty than short spells of worklessness.

Q7 – Does the length of time for which a household is workless matter for measurement?

The length of time a household lacks sufficient work is clearly important. However, this depends on the extent to which households are able to cope with short spells of worklessness

58. The length of time over which a household is workless is clearly important: short periods of worklessness are likely to have a less detrimental impact on material deprivation (as families are able to access credit, run down savings and postpone some types of expenditure) as well as being less likely to damage a child’s future life chances. Similarly, persistent worklessness is more likely to result in low living standards (as families are unlikely to have sufficient savings to cushion themselves from low income, access credit or postpone expenditure) and more likely to have a negative impact on life chances.

Recurrent worklessness is also an important issue – repeated short spells of worklessness are likely to reduce the ability of families to build sufficient savings to cushion falls in income, increase risks of poverty and have detrimental impacts on children’s life chances. The Commission would encourage the Government to consider how this can be captured

59. Studies have suggested that 5-7% of the population experience recurrent spells of income poverty (defined as two or more separate spells of poverty over a five year period) and that a fifth of poverty experience is recurrent (around a third of households experience one or more spell of poverty over a five year period)²⁹. This group are likely to have persistently low living standards even while moves into and out of employment take them above and below the official poverty line³⁰. A multidimensional measure looking at the risks of poverty could add value to the existing measures by better capturing this group, illuminating both the dynamic nature of poverty and incentivising more effective policy responses to recurrent poverty. The Commission would encourage the Government to consider how it can ensure that this issue is captured.

²⁹ See for example Tomlinson and Walker *Recurrent Poverty: The Impact of Family and Labour Market Changes* Joseph Rowntree Foundation (2010)

³⁰ See for example Shildrick et al *The Low Pay, No Pay Cycle: Understanding Recurrent Poverty* Joseph Rowntree Foundation (2010)

DIMENSION 3 – UNMANAGEABLE DEBT

Q8 – How important is unmanageable debt as a dimension in a future multidimensional measure of poverty?

The Commission believes that unmanageable debt is an important part of the experience of poverty and the Government should consider whether there are ways to further emphasise this in the current material deprivation measure. However, the Commission could find little evidence of debt having an independent impact on life chances

60. As the evidence cited in the consultation document makes clear, high levels of debt *can* severely affect the ability of a family to survive on a given income: significant debt servicing costs mean income does not go as far. High levels of debt can also worsen the experience of poverty: it adds to parental stress and can be a risk factor for relationship breakdown. The Commission could find little evidence of debt having an independent impact on life chances.
61. The negative impact that unmanageable debt could have on current experiences of poverty was highlighted by a number of stakeholders. Debt – particularly borrowing at very high rates of interest such as payday loans or borrowing from “loan sharks” - was an important theme that emerged from our focus groups with children and young people.
62. It is important to be clear that some kinds of debt are not necessarily bad for families – for example, where they help individuals smooth their income or support investment in skills or assets that then deliver a return or lower living costs (e.g. mortgage debt). Negative impacts arise when debt becomes “unmanageable” i.e. if families struggle to afford repayments so go without essentials and/or the need to make repayments causes them stress and worry.
63. The Commission notes that the causality of “unmanageable” debt and low income is ambiguous. In most cases, the origins of “unmanageable” debt lie in low income and material deprivation: for example, around half of those in arrears cite losses of income as the reason why they are in arrears³¹. The evidence suggests that debt is often related to insecure employment – for example, individuals entering work are able to borrow more (and often need to do so in order to meet upfront costs of working) and are often unable to meet repayments if work is not sustained. Accumulated debt can then become a barrier to escaping poverty – either through the stress of “unmanageable debt” leading to health problems or because increased income through work would mean higher repayments³².

Q9 – What aspects of unmanageable debt should we be most concerned about capturing?

It is difficult to accurately measure “unmanageable debt” – decisions about the level at which debt becomes “unmanageable” are inevitably subjective. The data to inform these decisions could be stronger

64. There are several potential ways that the Government could look at “unmanageable debt”, though each has difficulties and requires a subjective judgement about the level at which debt becomes “unmanageable”:

³¹ See for example Kempson *Overindebtedness in Britain: A Report to the Department of Trade and Industry* Personal Finance Research Centre (2002)

³² See for example McQuaid et al *How Can Parents Escape Recurrent Poverty?* Joseph Rowntree Foundation (2010)

- Being behind paying bills: this is measured by many surveys and is, for example, the metric of debt reported on in official poverty statistics and is used for the material deprivation measure³³. However, existence of some arrears does not mean that a household is in *unmanageable* debt (e.g. arrears may be small) and similarly lack of arrears does not mean that a household is not in unmanageable debt (e.g. some types of bills are not included) or that a household is not in financial difficulty (e.g. a household may choose to forgo necessities such as heating rather than get into debt or use pre-payment meters for utilities preventing arrears forming). There are also questions about how important arrears are to most children's experience of poverty: only 34% of those reporting arrears are in poverty versus 15% of those reporting no arrears (though 45% of those in arrears are in low income and material deprivation) and only 30% of those in poverty report arrears (though 48% of those in low income and material deprivation are in arrears)³⁴
- Debt repayments as a proportion of income: This metric may allow a more objective definition of "unmanageable". For example, data published by the Department of Business, Innovation and Skills suggests that around one in ten households spend more than 20% of their income repaying unsecured debts and that 17% of households with an income of less than £13,500 spend more than 30% of their income repaying unsecured debt³⁵. However, there are challenges in operationalizing a measure on this basis: debt repayment can substitute for consumption expenditures (for example, mortgage payments substituting for - more expensive - rent); there are also significant data requirements for measuring debt servicing costs as a proportion of income³⁶
- Own perception of whether debt is unmanageable: Several surveys report on people's own perceptions of whether their debts are unmanageable and the impact this has on their well-being. For example, BIS data suggests 8% of households self-report all of the three main debt perception indicators used in the survey: that they 'often have problems lasting to payday', 'constantly struggle or fall behind with payments' and 'find payments are a heavy burden'³⁷. However, this is obviously somewhat subjective - different individuals will have different definitions of 'struggling with debt' - and research suggests that people's perception of their financial situation is often worse than their actual situation.
- Type of debt: The source of finance is important in affecting the impact that debt has on the experience of poverty and the stress that it causes families. For example, debt from illegal moneylenders is likely to have far more severe impacts on parental stress and the manageability of debt than the presence of arrears on utility bills or debt with mainstream lenders (e.g. high interest rates, arbitrary penalty charges, inability to restructure debt; and often threats of violence)³⁸. However, it is likely to be extremely challenging to capture this type of debt for the purposes of constructing a multidimensional measure³⁹.

³³ The material deprivation measure uses whether families are able to 'keep up to date with bills'

³⁴ *Households Below Average Income: An Analysis of the Income Distribution 1994/95 – 2010/11* Department for Work and Pensions (2012)

³⁵ Commission calculations from data from the YouGov DebtTrack survey in *Credit, Debt and Financial Difficulty in Britain 2011* Department for Business, Innovation and Skills (2012)

³⁶ For example, the necessary data to calculate repayment to income ratios were missing for over a third of those with unsecured debt responding to the YouGov DebtTrack survey (ibid)

³⁷ Ibid

³⁸ See for example Chapter 3 of Ellison et al *National Evaluation of the National Illegal Money Lending Projects* Department for Business, Innovation and Skills (2010)

³⁹ The YouGov DebtTrack survey does look at the prevalence of 'high cost credit' (home collected credit, payday loans and pawnbrokers), though very small sample sizes make accurate analysis difficult (only 2-3% of households in total use high cost credit)

DIMENSION 4 – POOR HOUSING

Q10 – How important is poor housing as a dimension in a future multidimensional measure of poverty?

Poor housing and a deprived local environment are very important in children’s experiences of poverty and the Government should consider whether there are ways to further emphasise this in the revision of the current material deprivation measure that we propose above. However, their independent impacts on life chances are less clear.

65. The evidence suggests that poor housing and a deprived local environment are important dimensions of the poverty and have a clear impact on a child’s current experience of poverty independent of other family characteristics, especially on their health, well-being and the safety of where they live and play (and so the risk of them being injured in accidents)⁴⁰. Housing also emerged as an important theme in our focus groups with children and young people.

66. The independent impact of poor housing and a deprived local environment on life chances is less clear cut. There is a mixed picture on the evidence for an association of poor housing on educational attainment after controlling for other characteristics, though it is clear that homelessness has a significant effect⁴¹. The evidence also suggests that impact of the quality of the local environment on life chances is also unclear. One literature review concludes “there is surprisingly little evidence that living in poor neighbourhoods makes people poorer and erodes their life chances, independently of those factors that contribute to their poverty in the first place”⁴², though other evidence suggests some aspects of local environment can have an impact on life chances: for example, analysis by the Department for Education suggests living in an area of high deprivation has a significant negative impact on GCSE results after controlling for other characteristics⁴³.

Q11 – What aspect of poor housing should be captured in the measure?

Measures of poor housing should capture decency, overcrowding, homelessness and possibly housing stability

67. Measures of poor housing should capture the different aspects of poor quality housing that the evidence suggests can have a negative impact on children’s experience of poverty.

68. These components would preferably include:

- *Decency* - this could be measured using the ‘decent homes’ standard used by the Department for Communities and Local Government: with criteria including minimum quality, decent repair, modern facilities and thermal comfort.⁴⁴
- *Overcrowding* – this could be measured using the “bedroom standard” used in statistics reported by Government on the level of overcrowding – allocating a bedroom for every adult couple, adult aged over 21, pair of adolescents of the same sex aged 10-20 and pair of children aged 0-10⁴⁵.

⁴⁰ See for example Barnes et al *The Dynamics of Bad Housing, the Impact of Bad Housing on the Living Standards of Children*, National Centre for Social Research (2008); *Chance of a Lifetime: The Impact of Bad Housing on Children’s Lives* Shelter (2006)

⁴¹ Ibid

⁴² See *Cheshire Are Mixed Communities the Answer to Segregation and Poverty* Joseph Rowntree Foundation (2007)

⁴³ See *Deprivation and Education: The Evidence on Pupils in England, Foundation Stage to Key Stage* Department for Children, Schools and Families (2009)

⁴⁴ *A Decent Home: Definition and Guidance for Implementation* Department for Communities and Local Government (2006)

⁴⁵ See *English Housing Survey Headline Report 2011/12* Department for Communities and Local Government (2013)

- *Homelessness* - this could be measured by looking at whether households are living in temporary accommodation, though may be challenging to pick this up in a population survey.⁴⁶⁾

69. There is also evidence that ‘housing stability’ can be important to the experience of poverty and life chances too. For example, studies have found that pupil mobility between schools has a negative independent impact on attainment in secondary school⁴⁷. There may be arguments that a measure of poor housing in a multidimensional approach should cover housing stability as one of its components, especially given the increase in the proportion of families with children in income poverty who rent in the private sector where housing stability tends to be lowest. For example, in 2010/11, 31% of children in poverty after housing costs were in the private rented sector versus 14% in 2001/02⁴⁸ and households in the private rented sector had on average only lived in their home for two years illustrating the greater mobility in the sector.⁴⁹

Q12 – How can we consider the impact of where children grow up in measuring child poverty?

The Government should consider whether local area deprivation could be emphasised further to reflect its importance to a child’s experience of poverty

70. The local area in which a child grows up has a significant impact on their experience of poverty though the impact it has on life chances is unclear. The Commission considers that there is a reasonable case for recognising the impact of where children grow up on their current experience of poverty in a revision of the combined low income and material deprivation measure.
71. A measure of local area deprivation could be based on the existing Index of Multiple Deprivation (IMD), which assesses 38 different indicators of a local area’s income, employment, health, education and skills, housing and local services, crime and living environment, though the way in which the IMD is put together is complicated and may be difficult for the public to interpret⁵⁰.

⁴⁶ See *Statutory Homelessness in England: October to December 2011* Department for Communities and Local Government (2012)

⁴⁷ See for example Strand et al *Pupil Mobility, Attainment and Progress in Secondary School* Educational Studies Vol 33:3 (2007)

⁴⁸ *Households Below Average Income: An Analysis of the Income Distribution 1994/95 – 2010/11* Department for Work and Pensions (2012)

⁴⁹ *English Housing Survey Headline Report 2011/12* Department for Communities and Local Government (2013)

⁵⁰ *The English Indices of Deprivation 2010* Department for Communities and Local Government (2011)

DIMENSION 5 – PARENTAL SKILL LEVEL

Q13 – How important is parental skill level as a dimension in a future multidimensional measure of child poverty? What level of skill matters?

The Commission believes that it will be important to capture parental skill level in a multidimensional approach. However, it is unclear that parental skill level has a significant independent impact on children’s experience of poverty in the here and now so it fits better into a measure of the risks of poverty

72. The evidence we have seen suggests that parental skill level is important to child poverty mainly through its impact on the risk of children being in poverty and through its potential impact on life chances. Therefore, the Commission believes that it should be included in a measure of those at risk of poverty rather than in a measure of *experiences* of poverty:

- Children of parents with higher skill levels are less likely to be in poverty: Those with higher qualifications on average have higher employment rates, enjoy more stable employment and earn more when in work reducing the risk that they will be live in poverty⁵¹. For example, 29% of working-age adults with no qualifications were in poverty in 2010/11 compared with 8% of those with a degree and 14% of those with other qualifications⁵²
- Higher parental skill levels - particularly maternal qualifications at birth - are associated with higher educational attainment by their children and so improvements in life chances: Parents with lower literacy and numeracy skills and lower qualifications on average engage in less home learning activities than other parents⁵³. This can be important for children’s life chances as these home learning activities are strongly associated with children’s intellectual and social development and cognitive attainment, particularly in the early years⁵⁴.

The level of skill that is important may vary depending on why it is considered important – for its impact on risks of poverty or for its impact on children’s home learning environment

73. The level of parental skill that is important is an empirical question and may vary depending on whether one is considering the impact of parental skill on risks of poverty (where the best proxy may be highest qualification of the head of the household) or children’s life chances (where the best proxy may be maternal qualifications).

74. For risks of poverty today, the Commission would suggest that the right level of skills would be the one at which poor employment outcomes were avoided: at least level 2 in the National Qualification Framework (i.e. 5 GCSEs A*-C or equivalent). The evidence on the impact of basic skills qualifications below this level on employment outcomes is mixed: some studies suggest a positive impact⁵⁵, though the evaluation of the ‘Skills for Life’ programme (which was designed to improve literacy and numeracy and skills among those without Level 2 qualifications) found it had no impact on either employment

⁵¹ See for example Taylor, Haux and Pudney *Can Improving UK Skills Levels Reduce Poverty and Income Inequality by 2020* Joseph Rowntree Foundation (2012)

⁵² *Households Below Average Income (HBAI): An Analysis of the Income Distribution 1994/95 – 2010/11* – Department for Work and Pensions (2012)

⁵³ See for example Bonci *A Research Review: the Importance of Families and the Home Environment* National Literacy Trust (2011); Hansen et al *Millennium Cohort Study Fourth Survey: A Users Guide to the Initial Findings* Centre for Longitudinal Studies (2010)

⁵⁴ See for example Sylva et al *Effective Pre-School Education, Final Report* Department for Education and Skills (2004)

⁵⁵ See McIntosh and Vignoles *Measuring and Assessing the Impact of Basic Skills on Labour Market Outcomes* London School of Economics (2000) and De Coulon et al *The Value of Basic Skills in the British Labour Market* London School of Economics (2007)

or earnings⁵⁶. The level of parental skill that is important for avoiding negative impacts on children's life chances is unclear from the evidence we have seen.

Q14 – How can we best capture parental skill level in a new child poverty measure?

The best way of measuring parental skill level for risks of poverty today is to use parental qualification level as a proxy. It is important that the qualifications included in the measure are correlated with successful outcomes in the labour market

75. In a multidimensional measure of risks of poverty today, the parental skill level dimension is trying to measure “potential in the labour market” which is different to (though correlated with) parental qualification level :

- Some qualifications are of limited use to parents in the labour market – for example, many low-level vocational qualifications (specifically NVQs at levels 1 and 2) have been found to have a limited impact on earnings, as have some basic skills courses.⁵⁷
- Non-accredited learning (such as on-the-job experience) and ‘soft’ skills (such as communication and team working) can often be more valuable in the labour market than formal classroom-based qualifications but are not captured by looking at the level of qualification.⁵⁸

76. However, as it is impossible to measure “potential in the labour market” directly, we must use parental qualification level as a proxy for this. As not all qualifications lead to benefits in terms of labour market outcomes, it is important that when developing a measure of parental skill level that only those qualifications associated with successful labour market outcomes are included.

⁵⁶ Metcalf et al *Evaluation of the Impact of Skills for Life Learning* Department for Business, Innovation and Skills (2009)

⁵⁷ See for example *Returns to Intermediate and Low Level Vocational Qualifications* Research Paper No. 53 and Department for Business, Innovation and Skills (2011), *Review of Vocational Education – The Wolf Report* Department for Education (2011)

⁵⁸ Taylor, Haux and Pudney *Skills, Employment, Income Inequality and Poverty: Theory, Evidence and an Estimation Framework*, Joseph Rowntree Foundation (2012)

DIMENSION 6 – ACCESS TO HIGH QUALITY EDUCATION

Q15 – What impact does attending a failing school have on a child’s experience of poverty?

Attending a poor quality school matters a great deal to children’s futures and is rightly a priority for the Government as it seeks to close attainment gaps. However, poor school quality arguably has a more limited impact on a child’s experience of poverty in the here and now. The Commission considers that ‘access to a high quality education’ is better suited to a multidimensional measure of risks of future poverty than to current experience.

77. While attending a failing school is clearly important to a child’s future life chances, the Commission is less persuaded that it is strictly part of the experience of poverty in the here and now. Therefore, the Commission is doubtful that it should be included as a dimension in a measure of the experience of poverty.

Q16 – What impact does attending a failing school have on a child’s life chances?

The Commission agrees that attending a poor quality school has a significant impact on a child’s life chances

78. School quality can have an important impact on a child’s life chances: children who attend very good schools can find their life chances transformed; those trapped in poor quality schools often fail to fulfil their potential.

79. Recent analysis⁵⁹ suggests that:

- the average GCSE grade achieved by children in England who live in the most deprived areas who attend outstanding schools is one grade higher than their peers attending inadequate schools (attaining on average four B grades and four C grades rather than four C grades and four D grades), though this masks significant impacts for some children
- if all children in England attended outstanding schools, the attainment gap between children living in the most advantaged and most disadvantaged fifth of areas would decrease by over 20% (from 51 GCSE points to 40).

80. The Commission notes that what happens before children start school and when they are at home is also very important. For example, one study found that only 14% of the difference in performance between rich and poor children in England at age 11 is attributable to school quality⁶⁰ and other studies suggest an impact of school quality on variation in performance of 8-15%, with the biggest impact being at primary level⁶¹. Nonetheless, improving the quality of education that children from less advantaged backgrounds receive will be a key driver in improving their life chances.

⁵⁹ Clifton and Cook *A Long Division: Closing the Education Gap in England’s Secondary Schools* Institute for Public Policy Research (2012)

⁶⁰ Goodman and Gregg (Eds) *Poorer Children’s Educational Attainment: How Important Are Attitudes and Behaviours* Joseph Rowntree Foundation (2010)

⁶¹ See for example Sparkes *Schools, Education and Social Exclusion* CASE paper 29, London School of Economics (1999)

Q17 – How should access to quality education be measured?

The Commission believes that access to a quality education needs to be measured broadly – it is, for example, about more than just not attending a failing school. There are a range of different metrics that the Government could use to measure access to quality education

81. The Commission believes that in defining ‘access to a quality education’ the bar should be set higher than not attending a failing school – few children attend a failing school (e.g. only 3% of schools in England are assessed by Ofsted to be failing⁶²) and the impact of school quality affects a wider range of children than only those attending the lowest performing schools. There are also arguments that the Government should look at child educational outcomes more broadly rather than only looking at the quality of the school attended.
82. If the Government develops a measure of school quality to use in poverty measurement it is important that it is a reliable measure that, first, measures actual school performance (rather than the prior attainment and other characteristics of children who attend the school) and, second, is robust (i.e. is a good measure of long-term quality and not affected by policy changes in where the Government choose to draw the threshold for a poor quality school).
83. There are a number of potential options that are worth consideration. The Commission’s instinct would be to favour a measure focusing on attainment and progression of pupils from less advantaged backgrounds:
- *Judgement of school inspectors* – number that are attending schools that are “failing” or “requiring improvement” - currently 32% of schools in England⁶³. However, this is susceptible to policy change in the definition of ‘poor quality’.
 - *Performing below floor targets* – schools that are performing below ‘floor targets’ set by the Government for the proportion of children achieving 5 good GCSEs in English and Maths. However, this is strongly affected by the characteristics of a school’s intake – for example, many schools significantly above floor targets perform relatively poorly for disadvantaged children⁶⁴.
 - *Attainment of pupils from less advantaged backgrounds* - it may be sensible to focus on a definition of quality that identifies schools which are effective in raising the attainment of children from less advantaged backgrounds (e.g. perform well against headline performance indicators for children eligible for Free School Meals).
 - *Progression measures* - schools that perform poorly after accounting for the prior attainment of children (measured using value added or other progression measures).
 - *Contextual value added scores* - schools that perform poorly after accounting for the prior attainment of children and other characteristics such as whether they are eligible for free school meals. However, this is a complicated measure and there are arguments that such measures risk locking-in low expectations for children from some backgrounds.

⁶² *Maintained Schools Inspections and Outcomes 1 September 2011 to 31 August 2012* Ofsted (2012)

⁶³ *Ibid*

⁶⁴ Internal analysis from data in *2012 Performance Tables* Department for Education

DIMENSION 7 – FAMILY STABILITY

Q18 – How important is family stability as a dimension in a future multidimensional measure of poverty?

The Commission notes that family stability can be interpreted in different ways. Multiple transitions in family structure is the area where there is most evidence of an independent negative impact on children

84. Families clearly matter enormously to the experience and wellbeing of children – this was reflected strongly in the sessions the Commission undertook with young people. The area with strongest evidence in relation to the impact of family stability on child outcomes is the amount of *change* in family structure that children experience. Multiple changes in family structure have been shown to be more harmful to children than remaining in a stable family structure and several transitions are more detrimental than experiencing a single transition (i.e. there is a cumulative effect)⁶⁵. However there are questions about how significant and large the impact is after controlling for other factors and parental characteristics⁶⁶.

The case for including family type is weaker: it is unclear that it has a causal impact on child outcomes independent of other parental characteristics.

85. There's a great deal of evidence that family type is correlated with the risk of poverty and other negative outcomes. For example, on the relative poverty measure, 24% of children living with cohabiting parents were in poverty in 2010/11, compared to 22% of children living in lone parent households and 14% of children living in married couples⁶⁷. Research suggests children whose parents separate are at greater risk of experiencing adverse outcomes including behavioural problems, lower educational attainment and health problems compared to children from 'intact families', though only a minority of children who experience parental separation experience long-term adverse outcomes⁶⁸.

86. However, in assessing these risks causality is very hard to determine. Poverty can both contribute to family breakdown and be a consequence of it⁶⁹. Compared to married couples, parents in lone parent and cohabiting couple households are more likely to have other characteristics, such as lower educational attainment, which increase their risk of poverty (and are also associated with worse child outcomes)⁷⁰. Nor is it clear that other outcomes are causally driven by parental separation. Rather, there is an extremely complex interplay of different factors⁷¹. For example, parental conflict and family functioning can have a more harmful impact on child outcomes than family breakdown and evidence suggests that children in lone parent households tend to have better outcomes than children in households where there are high levels of conflict (e.g. where children experience domestic violence)⁷².

⁶⁵ See for example Coleman and Glenn *When Couples Part. Understanding the Consequences for Children and Adults One Plus One* (2009); Mooney et al *Impact of Family Breakdown on Children's Well-Being: Evidence Review* Department for Children, Schools and Families Research Report 113 (2009)

⁶⁶ Ibid

⁶⁷ *Households Below Average Income (HBAI): An Analysis of the Income Distribution 1994/95 – 2010/11* – Department for Work and Pensions (2012)

⁶⁸ Mooney et al *Impact of Family Breakdown on Children's Well-Being: Evidence Review* Department for Children, Schools and Families Research Report 113 (2009)

⁶⁹ Mooney et al *Impact of Family Breakdown on Children's Well-Being: Evidence Review* Department for Children, Schools and Families Research Report 113 (2009)

⁷⁰ Harkness et al *Poverty: The Role of Institutions, Behaviour and Culture* Joseph Rowntree Foundation (2012); Crawford et al *Cohabitation, Marriage, Relationship Stability and Child Outcomes: An Update* IFS Commentary 120, Institute of Fiscal Studies (2011)

⁷¹ See for example Rodgers and Pryor *Divorce and Separation: The Outcomes for Children* Joseph Rowntree Foundation (1998)

⁷² Mooney et al *Impact of Family Breakdown on Children's Well-Being: Evidence Review* Department for Children, Schools and Families Research Report 113 (2009)

87. In summary, it is difficult for a poverty measure to compare like-for-like to determine whether the experience of poverty and its impact on outcomes for a given child would be better or worse if their birth parents stayed together – this very much depends on the characteristics of that particularly family, the relationship between their parents prior to relationship breakdown and the presence of mediating factors which improve resilience to separation.

Q19 – How important is the long-term involvement of both parents to their child’s experience of poverty and life chances? Q20 – How important is the presence of a father to a child’s experience of poverty and life chances?

Long-term involvement of both parents has a beneficial effect on child well-being provided that parent-child relationships are high quality, the child agrees to contact with both parents and there is an absence of abuse and poor parenting from the non-resident parent

88. Not all children who experience parental separation experience negative outcomes and the impacts of separation are determined by a number of different factors. There is evidence to suggest that one of the factors which can moderate the negative impact on parental separation is contact with both parents; however, this depends on the quality of the parent-child relationships⁷³.

89. Having a good relationship with a non-resident parent is associated with fewer problems and improved academic achievement among children who experience family breakdown and the quality of the relationship rather than simply the frequency of contact appears most important (though the two are related). However, contact with a non-resident parent is only beneficial to child outcomes when they have a good relationship, the child agrees to the contact and there is an absence of abuse or poor parenting⁷⁴.

Q21 – Which experiences associated with family stability should be captured in a measure?

The evidence suggests that it would be important for any measure of family stability to capture how a family functions (e.g. absence of parental conflict, quality of parenting and quality parent-child relationships) and whether a child experiences multiple household transitions

90. The Government needs to ensure that there is a strong evidence base underpinning any measure of family structure if it decides to pursue this area in a multidimensional measure of poverty. Measures of family stability should only be included where there is clear evidence of a causal effect on outcomes after controlling for other factors.

91. Based on the evidence the Commission has seen, while family stability has a clear *correlation* with a number of outcomes, the evidence that it has an independent *causal* effect on a child’s experience of poverty and other outcomes is far weaker. It is also difficult for a measure of family stability to capture the complexity involved and the different circumstances facing different families. For example, there is clear evidence that parental separation can be beneficial if it means children are no longer exposed to high levels of parental conflict and/or domestic violence. There appears to be more evidence that household instability and multiple transitions in the adults who are present in a household is damaging to a child’s experience of poverty.

⁷³ Ibid

⁷⁴ Ibid

92. Any measure of family stability should capture how a family functions – for example, the absence of parental conflict, the quality of parenting and parent-child relationships – as the evidence suggests these may be a lot more important to child outcomes than family type (though the Commission recognises that this can be difficult to capture accurately).

DIMENSION 8 – PARENTAL HEALTH

Q22 – How should we recognise young carers in a multidimensional measure of child poverty?

The Commission agrees that being a young carer matters a great deal and can have a significant impact on child well-being, but the evidence suggests that it affects a relatively small number of children

93. It is clear that being a young carer *can* have a significant impact on child well-being, especially for those providing high levels of care. Young carers can experience substantial physical, emotional and social problems and experience difficulties in school⁷⁵. For example, one survey of young carers being supported by specialist projects found that 27% of young carers of secondary school age occasionally missed school or suffered other educational difficulties as a result of their caring responsibilities⁷⁶.
94. The 2001 Census estimated there were 175,000 young carers aged 5 to 17 in the UK – around 2% of children in the UK⁷⁷ and young carers have a diverse range of experiences – the amount and type of care they provide varies greatly. Relatively few young people provide very long hours of care: for example, there are an estimated 30,000 young carers providing over 20 hours of care (~0.3% of children) and 13,000 young carers providing over 50 hours of care (~0.1% of children)⁷⁸.
95. Given that being a young carer is a relatively rare experience, the Commission does not believe there is a clear cut case to include young carers within a headline measure of poverty. We have recommended that the Government develops a new chronic disadvantage measure to pick up issues that affect relatively few children but have a significant adverse impact – there is a strong case for young carers to be captured in this measure.

Q23 – How should we recognise parental drug and alcohol dependence and mental health conditions in a multidimensional measure of child poverty?

The Commission agrees that having parents who are dependent on drugs or alcohol has a significant impact on child wellbeing and is rightly a concern of the Government.

96. Drug and alcohol misuse can have a severe impact on children. Children of substance misusers are at greater risk from emotional and physical neglect and abuse, family dysfunction and of developing serious emotional and social problems themselves in later life⁷⁹. The risk appears to be highest for those dependent on drugs (especially opiates and cocaine) and alcohol⁸⁰. There is more uncertainty about the impact of less intensive drug and alcohol use.

⁷⁵ See for example *The Health and Well-Being of Young Carers* Social Care Institute for Excellence (2005)

⁷⁶ Dearden and Becker *Young Carers in the UK: The 2004 Report* Carers UK (2004)

⁷⁷ Cited in Becker *Global Perspectives on Children's Unpaid Caregiving in the Family: Research and Policy on 'Young Carers' in the UK, Australia, the USA and Sub-Saharan Africa* *Global Social Policy* (7):23. UK population data is taken from various reports on *Census 2001* from the Office for National Statistics, the General Register Office for Scotland, the Northern Ireland Statistics and Research Agency

⁷⁸ *Ibid*

⁷⁹ See for example Bancroft et al *Parental drug and alcohol misuse: resilience and transition among young people* Joseph Rowntree Foundation (2004); Barnard and McKeganey *The Impact of Parental Problem Drug Use on Children* *Addiction* 99:552-559 (2004)

However, the extent to which this is an issue affecting a significant proportion of children in poverty is unclear.

97. There are a range of different estimates of the number of children living with adults who are dependent on drugs and alcohol:
- There are an estimated 0.2-0.3 million dependent children (under 16) of problem drug users accessing treatment in England and Wales – 2-3% of all children. Around half of these children lived with their drug-using parent⁸¹.
 - Previously, the number of children living with adults who have an alcohol problem has been estimated as between 0.8 million and 1.3 million⁸². However, there are a number of issues with this data⁸³. More recent estimates, cited in the consultation documents have estimated that 2.6 million of children (22%) live with a 'hazardous' drinker and 0.7 million (6%) children live with a 'dependent drinker'⁸⁴.
98. However, parental drug and alcohol misuse does not affect poor children alone and crosses social class boundaries. For example, studies have concluded that there is no significant variation in the prevalence of alcohol dependence by income (though severe dependence – while rare - appears to be more prevalent among low income groups)⁸⁵ and that low income groups on average consume less alcohol than others⁸⁶. There is no estimate that the Commission is aware of that looks at the number of children *who are in income poverty* who have parents who are dependent on alcohol or drugs⁸⁷.

Overall, the Commission believes that parental substance abuse is important for Government to monitor but it may be something that is more appropriate to capture in a measure of chronic disadvantage

99. Given the clear evidence of the harm that many children suffer due to parental substance misuse, the Commission agree that it is important for it to be monitored.
100. But given the uncertainties about the level at which parental substance use has significant harmful effects on children, as well as a lack of data on the extent to which *children in poverty* are affected, an immediate priority in this area should be collecting better data on the prevalence and impact of substance misuse and its relationship with household income.
101. Based on the data that is available, it appears that parental substance misuse only affects a small minority of children (e.g. an estimated 6% of children live with dependent drinkers) and that there is an unclear link with income poverty (e.g. no relationship between low income and the likelihood of dependent drinking among adults). On this basis, the Commission believes that it would probably be more appropriate to capture parental substance misuse in a new measure of chronic disadvantage rather than a measure of child poverty.

⁸¹ Advisory Council on the Misuse of Drugs *Hidden Harm: Responding to the Needs of Children of Problem Drug Users* Home Office (2003)

⁸² *Alcohol Harm Reduction Strategy for England* Prime Minister's Strategy Unit (2004)

⁸³ See Manning et al *New estimates of the number of children living with substance misusing parents: results from UK national household surveys* BMC Public Health (9):377 (2009) for a discussion

⁸⁴ Ibid

⁸⁵ *Adult Psychiatric Morbidity in England 2007: Results of a Household Survey* – Office of National Statistics (2009)

⁸⁶ *Smoking and Drinking Among Adults 2009: A Report on the 2009 General Life Style Survey* Office of National Statistics (2011)

⁸⁷ There are estimates of the number of low income adults who are affected. For example, *Adult Psychiatric Morbidity in England 2007: Results of a Household Survey* – Office of National Statistics (2009) estimated that, of adults in the bottom income quintile, 8.5% of men and 3% of women were dependent drinkers and 0.7% of men and 0.1% of women were severely dependent, but it is unclear how many of these live with dependent children

Parental mental health has a significant negative impact on child outcomes – there are strong arguments for it to be captured in a measure of parental health

102. Maternal mental health is associated with child development outcomes and has been identified as a key mediating factor between family income and poor child outcomes. For example, by age four, children who experienced repeated exposure to mental health problems were more likely to have poor behavioural, emotional and social outcomes and children of mothers with mental ill-health are five times more likely to have mental health problems themselves, resulting in both emotional and behavioural difficulties⁸⁸.

Q24 – How can parental disability and general poor parental health be reflected in a multidimensional measure of child poverty?

We recommend that the Government considers how parental disability and ill health can be captured within the current material deprivation measure

103. Given the impact that it can have on children's experiences of poverty, the Commission recommends that the Government considers how parental disability and ill health can be captured within the current material deprivation measure.

104. The Commission recommends that the Government follows existing practice in measuring parental disability and poor parental health (i.e. use a measure that looks at the presence of a long-standing physical or mental health condition that has lasted more than 12 months and limits day to day activities)⁸⁹. The Government might also want to explore if a measure can also capture whether parental disability and poor parental health is having negative impacts on a child's experience of poverty.

There are arguments that current poverty measures underestimate the number of disabled households in poverty after accounting for the additional costs of disability. However, it is very difficult to allow for this in poverty measurement. We recommend that the Government considers whether there are ways to take better account of these costs in poverty measures.

105. There are arguments that current poverty measures underestimate the number of households containing a disabled person who are in poverty by failing to factor in the additional costs that disabled people face, which can be significant⁹⁰. A number of studies have estimated a significant increase in the proportion of families with a disabled household member in poverty once these additional costs are factored in⁹¹. The impact of disability on standards of living attained at a given income level is illustrated by the fact that 38% of children in low income and material deprivation live in a household with a disabled member compared to 31% of children in families with an income of less than 60% of the median⁹².

106. However, given the lack of consensus on how to calculate the additional costs of disability and ill health – and the wide variation in additional costs faced by different families (e.g. costs vary according to severity of impairment, geographic location, use of

⁸⁸ See for example Gregg et al *Understanding the Relationship Between Parental Income and Multiple Child Outcomes: A Decomposition Analysis* Centre for Analysis of Social Exclusion (2008); *Families in the Foundation Years: Evidence Pack* Department for Education (2011)

⁸⁹ See discussion in White, *An Update to Measuring Chronic Illness, Impairment and Disability in National Data Sources* Health Statistics Quarterly 42, Office of National Statistics (2009)

⁹⁰ *Review of Existing Research on the Extra Costs of Disability* Working Paper No D21, Department for Work and Pensions (2005)

⁹¹ See studies cited in Wood and Grant *Counting the Cost* Demos (2010)

⁹² *Households Below Average Incomes 2010/11* Department for Work and Pensions (2012)

informal care, income and household composition), it is difficult to take account of these additional costs in poverty measurement. There is also an argument that the low income and material deprivation measure captures this issue by using a higher income threshold than the relative poverty measure (70% of median income rather than 60% of median income)⁹³. Nonetheless, the Commission recommends that the Government considers whether there are ways to better take account of additional costs of disability in poverty measurement.

⁹³ This was one of the arguments used in favour of the material deprivation measure in *Measuring Child Poverty* Department for Work and Pensions (2003)

CREATING A MULTIDIMENSIONAL MEASURE

Q25 – Are there other criteria we should evaluate a new measure against?

The Commission notes that, while most of the criteria proposed by the Government look reasonable, some experts have raised questions about some of the criteria proposed. We also recommend a number of additional criteria that it would be important to consider in evaluating a new measure

108. The Government's suggested criteria for evaluating a new multidimensional measure include:
- Give a total number of children in the UK experiencing multiple dimensions of poverty that can be tracked over time.
 - Show us the severity of a child's poverty so that we can tell which groups need the most help.
 - Show us how poverty affects different groups of children e.g. ethnic minorities, those with disabilities.
 - Be widely accepted by the public and experts as being a fair representation of those children that are growing up in poverty and those who are not
 - Be methodologically robust and draw on the best evidence available.
109. While many of these criteria look reasonable, the Commission's discussions with academic experts in this area raised questions about others:
- Some disagreed with the Government's first criteria and asked how sensible, methodologically robust or useful a single number estimate of children experiencing multiple dimensions of poverty was likely to be.
 - Some questioned whether counting the number of dimensions an individual is "poor" against is a good way of measuring severity – it is unclear that dimensions would be additive in this way and how this could take into account the severity against each dimension.
110. The Commission would suggest that additional criteria it would be important to look at include:
- *Impact on Government policy* - how is a new measure likely to drive Government policy and is it likely to set up perverse incentives for Government to drive improvements against the measure without really tackling poverty;
 - *Credibility* - what would happen if one dimension got a lot worse but another dimension got better
 - *Interpretation* - how easy is it for a measure to be interpreted by the public.
 - *Coherence* - does an individual multidimensional measure look at similar orders of things? The Commission believes that experiences of poverty and risk factors for poverty should be separated out.

Q26 – In creating a new measure, should any dimension be a gateway?

Income should remain as the gateway to the material deprivation measure. There should be no gateway dimension to a new multidimensional measure of risks of poverty

111. The Commission recommends above that a new multidimensional measure should focus on looking at risks of poverty, with the current income and multiple deprivation measure being revised to ensure it captures more dimensions relevant to current experiences of poverty.

112. We recommend that income continues to be the gateway into the material deprivation measure (and any other measure of experience of poverty). The Commission is not persuaded that other proposed dimensions would be sensible gateways. For example, employment is extremely important to reducing the risk of poverty, but a measure that uses worklessness as a gateway makes little sense given 60% of children in poverty are in working households (all-be-it usually not working many hours).

113. For the new multidimensional measure looking at causes and risks of poverty, the Commission do not think there is a clear case for any dimension to be a gateway.

Q27 – Should the indicators be weighted and, if so, what factors should influence the choice of weighting?

The Commission believes that weighting different dimensions in a multidimensional measure of risks of poverty is extremely challenging to do in a robust and easily understandable way

114. It is clear that some dimensions are more important than others in determining risks of poverty and that, if they are to be combined into a single number, it would in principle be desirable to weight the different dimensions to reflect their differential importance. Equal weighting would imply that they are of equal importance. However there are also trade-offs with keeping a measure simple, and ensuring that the public, media and policy-makers can understand it.

115. The Commission notes that there are three different types of weighting involved in creating a multidimensional measure of risks of poverty:

- *Inclusion of the indicator in a multidimensional measure*: Everything that is not included in the measure is effectively given a weight of zero.
- *Setting the threshold in each dimension*: Determines the level at which a risk of poverty given by e.g. lack of work is considered to be significant.
- *Combining different dimensions*: Determines the relative importance of each dimension in determining whether a child is at risk of poverty.

116. Academics that we have spoken to have suggested that weighting indicators is a highly challenging endeavour and one that is difficult to do in an objective way. That said, there are a number of potential criteria and options that could be used if the Government wishes to press ahead with a measure that estimates a single number of children at risk of poverty:

- Strength of impact (based on what the evidence says about the impact of each measure – existing multidimensional measures use complex statistical modelling techniques to determine the importance of different dimensions and the appropriate weightings).
- Size of population affected (i.e. what proportion of children in income poverty is affected by the dimension. For example, the material deprivation measure in the Act uses prevalence weighting).
- Judgement of experts and the general public (i.e. the weighting is correct if there is widespread acceptance by experts and the public – used for the Department of Community and Local Government's Index of Multiple Deprivation).

Q28 – What indicators should be weighted more or less?

Further detailed analytical work is required before making judgements about how indicators are weighted. However, the Commission acknowledges that there may be some pragmatic arguments to weight the indicators in a multidimensional measure of risks of poverty equally

117. It is difficult to comment on how the different risks of poverty should be weighted without more detailed analytical work. However, the Commission acknowledges the arguments that some have made to take a pragmatic approach of weighting indicators equally: avoiding making contested claims that a scientific approach is being taken and developing a measure that is very simply and transparent to the public.

Q29 – How could we measure child poverty at the local level?

It will be very challenging – and probably impossible – to look at overlaps between different dimensions at a local level. The Commission recommends that local areas monitor a suite of indicators within each of the dimensions to assess progress

118. The Commission notes that it will be challenging to measure multidimensional poverty and overlaps between different dimensions at a local level given the lack of a joined-up administrative dataset that could do this (national surveys do not have the sample sizes to drill down to the local level). Local areas may be able to identify people with overlapping problems for the purpose of targeting policy by looking at who access their services or collecting more data from them.

119. However, it is likely that a reported measure of multidimensional poverty at the local level will need to be based on monitoring a suite of cross-sectional administrative data within each of the dimensions. The current local child poverty basket of indicators that the Government already produces may be a useful starting point and is already a multidimensional measure that looks at a range of factors around family resources, children's life chances and family circumstances among other things⁹⁴. The Index of Multiple Deprivation tracks 38 indicators that look at income, employment, health, education, housing, services, crime and local environment that could also be useful in tracking multidimensional child poverty locally⁹⁵.

120. The Commission notes that the Government should also bear in mind the desirability of being able to report against a multidimensional indicator in the devolved administrations to help Scotland, Wales and Northern Ireland in meeting their objectives to tackle child poverty. One issue to consider is whether the data source used to report against a multidimensional indicator has a sufficient sample size to make statistically robust conclusions. For example, the sample size in the Understanding Society survey (which has been suggested as a key candidate for a survey from which a multidimensional measure could be derived) in Scotland is 3,700 households⁹⁶ and so would include ~920 households with children (25% of all households⁹⁷) of whom ~160 households will be in income poverty (17% of children are in poverty⁹⁸); this may be a small sample size to make robust conclusions from in investigating the characteristics of sub-groups of children in poverty.

⁹⁴ See <http://education.gov.uk/childrenandyoungpeople/families/childpoverty/b0066347/child-poverty-data> (accessed February 8th 2013)

⁹⁵ See *The English Indices of Deprivation, 2010* Department for Communities and Local Government (2011)

⁹⁶ See *Statistics on Poverty and Income Inequality in Scotland: Assessment of Compliance with the Code of Practice for Official Statistics* Assessment Report 199, UK Statistics Authority (2012)

⁹⁷ *Estimates of Households and Dwellings in Scotland 2011* General Register Office for Scotland (2012)

⁹⁸ *Poverty and Income Inequality in Scotland 2010/11* The Scottish Government (2012)

Q30 – How should we check the robustness and simplicity?

The Commission recommends that the Government consults on the detailed design of any multidimensional measure once it has a firm proposition to help check its robustness and simplicity

121. To ensure robustness of the design of the multidimensional measure the Government should ensure academic experts and statisticians are heavily involved in developing the measure. A proposed measure will need to be rigorously tested first to develop a good understanding of its characteristics and how it will behave in practice.
122. The Government needs to ensure that the data source it uses to report against a multidimensional measure is able to report against each dimension accurately and has a representative sample of sufficient size to allow the new measure to be disaggregated into its constituent parts and to be reported for the devolved administrations. Some stakeholders have questioned whether there is a suitable dataset available.
123. The Government should consult again on the detail design of the multidimensional measure once it has a firm proposition. This will help ensure the final measure that the Government chooses is robust and simple enough to be understandable to the public and will help in achieving the criteria that a measure should be widely accepted.

Q31 – What would you use a multidimensional measure of child poverty for?

The Commission would use a multidimensional measure of children at risk of poverty and a revised income and material deprivation measure as key parts of a wider set of analytic tools to assess the Government's progress in reducing child poverty.

124. The Commission would use a multidimensional measure as one of the tools it applies to assess progress in reducing child poverty alongside a range of other metrics including: the four targets set out in the Child Poverty Act 2010; the metrics in the Government's Child Poverty Strategy; the Scottish and Welsh Child Poverty Strategies; other data including the full range of data collected in the HBAI survey; as well as other relevant research and analysis.

Annex - Engagement Activity Undertaken by the Commission

To inform its response to the consultation the Commission held a series of public engagement events, including two roundtable events with charities and academics, three focus groups with children and young people and a series of bilateral meetings with representatives of charities, academics and other experts.

The Commission's response was also informed by conversations with the Northern Ireland Executive and Scottish and Welsh Governments.

Individuals and organisations the Commission spoke to in developing its response included:

- Dr Sabine Alkire, **Oxford University**
- Dr Nick Bailey, **University of Glasgow**
- Dr Matt Barnes, **NatCen**
- Kate Bell, **End Child Poverty**
- Daniel Breslin, **4Children**
- Professor Mike Brewer, **University of Essex**
- Alex Burghart, **Centre for Social Justice**
- Jonathan Cribb, **Institute for Fiscal Studies**
- Helen Dent, **Family Action**
- Naomi Eisenstadt, **Oxford University**
- Alison Garnham, **Child Poverty Action Group**
- Janet Grauberg, **Barnardos**
- Professor John Hills, **London School of Economics**
- Donald Hirsch, **Loughborough University**
- Professor Stephen Jenkins, **London School of Economics**
- Heather Joshi, **Institute of Education**
- Robert Joyce, **Institute of Fiscal Studies**
- Lindsay Judge, **Child Poverty Action Group**
- Ivan Mathers, **Barnardos**
- Dragan Nastic, **UNICEF UK**
- Matthew Oakley, **Policy Exchange**
- Sam Royston, **Children's Society**
- Jill Rutter, **Daycare Trust**
- Luke Sibieta, **Institute of Fiscal Studies**
- Neera Sharma, **Barnardos**
- Enver Solomon, **End Child Poverty**
- Dr Kitty Stewart, **London School of Economics**
- Matthew Tinsley, **Policy Exchange**
- Professor Robert Walker, **Oxford University**
- Tom Wardle, **Centre for Social Justice**
- Fiona Weir, **Gingerbread**
- Graham Witham, **Save the Children**
- Claudia Wood, **Demos**
- A focus group of 10-11 year olds at a primary school in Margate
- Two focus groups of 11-15 year olds and 16-17 year olds at a secondary school in East London