

## **Households Below Average Income publication – severe child poverty indicator technical note**

### **Background**

1. The Child Poverty Act 2010 includes four measures of child poverty: relative poverty (children living in households where income is below 60 per cent of median income; absolute poverty (children living in households where income is below 60 per cent of the median income in 2010/11 adjusted for prices); persistent poverty (currently defined as children living in households where income is below 60 per cent of median income in at least three of the last four years); and low income and material deprivation (children living in households where income is below 70 per cent of median income who also experience material deprivation). All are on a Before Housing Costs basis and use equivalised incomes to account for household size and composition.

2. In his independent review of poverty and life chances, Frank Field recommended that Government should monitor the impact of its policies on the very poorest including developing and publishing a new measure of severe poverty.<sup>1</sup> To date there has been no official measure of severe poverty, though a measure has been established by Save the Children.

3. In the child poverty strategy, published on the 5 April 2011, the Government accepted Frank Field's recommendation of a new measure of severe poverty and defined what it would be.<sup>2</sup> The measure would form part of a suite of indicators, building on the targets in the Act, which would be used to monitor progress in tackling child poverty over the lifetime of the strategy.

### **The new measure**

4. Severe poverty can be defined in a number of ways. It could be reasonably argued that the range of targets within the Act are designed to capture the different aspects of income poverty. In particular, children that are living in persistent poverty or who experience material deprivation are either in low income for long periods or are going without the basic goods and services which are considered essential to maintain an acceptable standard of living.

5. Both the persistent poverty and the combined low income and material deprivation measure already capture a smaller population of children than the relative poverty measure.

6. A further option is to use a lower income threshold than the relative

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<sup>1</sup> The Foundation Years: preventing poor children becoming poor adults  
<http://www.frankfield.co.uk/files/download.php?m=documents&f=101203100838-TheFoundationYears.pdf>

<sup>2</sup> A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives  
<http://www.education.gov.uk/childrenandyoungpeople/families/childpoverty/a0076385/child-poverty-strategy>

poverty measure. However, there are issues with data quality when looking at the lower end of the income distribution and the lower the threshold used the less reliable it is as an indicator of living standards. This point was made in Frank Field's independent review which argued against using a threshold of 40 per cent of median income.

7. The Households Below Average Income (HBAI) series already includes the proportion of children living in households with income below 50 per cent of median income and this measure is often used by other groups though HBAI does highlight the uncertainty in these results. This potential weakness in the data can be offset by combining low income with material deprivation. This means that the measure will only pick up those children who are experiencing very low income and also going without the goods and services considered necessary to have a decent standard of living.

**Definition:** Children are defined as living in severe poverty if they are living in a household with an equivalised income below 50 per cent of median Before Housing Costs which also experience material deprivation.

### **When and where will this data be published?**

8. The measure of severe poverty will be published annually as a National Statistic within the Households Below Average Income (HBAI) publication. It was published for the first time in HBAI 2009/10 which includes a time series of severe poverty for each year 2004/05 to 2009/10.

9. The publication is usually available in April/May, just over a year after the financial year to which the figures relate. It is available from [http://research.dwp.gov.uk/asd/index.php?page=hbai\\_arc](http://research.dwp.gov.uk/asd/index.php?page=hbai_arc).

### **What breakdowns will be published?**

10. Initially only a headline indicator (i.e. the proportion of all children meeting this criteria) will be included in the publication with an intention to include the standard breakdowns (e.g. by region, by family status) in future publications where possible. The HBAI publication already includes these breakdowns on the 50 per cent measure alone but not yet combined with material deprivation.

### **What is the data source for this indicator?**

11. Consistent with the rest of HBAI, the data source for the new measure will be the Family Resources Survey. In line with measures in the Act, income will be on a Before Housing Costs basis only and will be equivalised using the OECD equivalisation scale.

### **How is income and material deprivation defined in the new indicator?**

12. Both income and material deprivation are defined in exactly the same way as in the existing low income and material deprivation measure using the same set of questions and same material deprivation threshold (only the

income component is set to a different threshold). The questions used in the 2009/10 survey are included at Annex A. A comprehensive explanation of how income and material deprivation scores are calculated is given in Appendix 1 and Appendix 2 of the main HBAI publication.

### **What is the Government's target for this new measure?**

13. The Child Poverty Act provides four targets that must be met and sustained by 2020. Consistent with the Government's overall transparency agenda, there will not be a specific target for this new measure of severe poverty but it will instead be used to track progress.

14. The indicator forms part of the suite of measures set out in the child poverty strategy that will be used to monitor progress in tackling child poverty and is one of the five, along with those in the Act, measures of family resources. Combining low income with material deprivation ensures that the data will be of a sufficient quality to track genuine progress even though the relevant group is likely to be quite small.

### **Further information**

15. Technical queries relating to the definition of severe poverty in relation to children, targets in the Child Poverty Act or the suite of indicators in the child poverty strategy should be directed to [Contacts.CPU@childpovertyunit.gsi.gov.uk](mailto:Contacts.CPU@childpovertyunit.gsi.gov.uk)

16. General enquiries about the HBAI publication should be directed to [team.hbai@dwp.gsi.gov.uk](mailto:team.hbai@dwp.gsi.gov.uk).

## **Appendix A – Material deprivation questions used in HBAI 2009/10**

### **Child items**

Outdoor space / facilities to play safely  
Enough bedrooms for every child 10 years or over and of a different gender  
Celebrations on special occasions  
Leisure equipment such as sports equipment or a bicycle  
At least one week's holiday away from home with family  
Hobby or leisure activity  
Swimming at least once a month  
Have friends round for tea or a snack once a fortnight  
Go on school trip at least once a term  
Go to a playgroup at least once a week

### **Adult items**

Money to decorate home  
Hobby or leisure activity  
Holiday away from home one week a year not with relatives  
Home contents insurance  
Friends round for drink / meal at least once a month  
Make savings of 10 pounds a month or more  
Two pairs of all weather shoes for each adult  
Replace worn out furniture  
Replace broken electrical goods  
Money to spend on self each week  
Keep house warm