



Consultation on setting the 2020 persistent child poverty target

Presented to Parliament

by the Secretary of State for Work and Pensions

by Command of Her Majesty

June 2014



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This publication is available at www.gov.uk/government/publications

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Print ISBN 9781474107570

Web ISBN 9781474107587

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

ID 18061402 06/14 41248 19585

Printed on paper containing 75% recycled fibre content minimum

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Consultation on setting the 2020 persistent child poverty target

Executive Summary

1. This consultation seeks views on a proposed new persistent child poverty target for the UK, to be achieved in the financial year beginning with 1 April 2020, under the Child Poverty Act 2010.
2. It is the Government's firm belief there is a need for a revised set of child poverty measures which underlines its commitment to reducing child poverty but better reflects the evidence about its underlying causes and where action most needs to be targeted.
3. The Child Poverty Act 2010 requires the Government to set a persistent child poverty target through Regulations by December 2014. This will be in addition to the three existing statutory targets covering relative low income, absolute low income and combined low income and material deprivation. New definitions of child poverty will not have been put forward before the December 2014 deadline for setting the persistent child poverty target. In the absence of these, the Government remains committed to meeting its existing obligations under the Act.
4. The Government proposes to set a persistent child poverty target of below 7 per cent of children living in a household in relative low income for at least three years out of a four-year period by 2020. This would be consistent with achieving the existing relative low income target, based on evidence about the historic relationship between relative and persistent child poverty and assuming this relationship continues.
5. The Government is committed to the goal of ending child poverty in the UK by 2020 and has now published its evidence-based Child Poverty Strategy 2014-17 which sets out how it will tackle poverty, by:
 - a. raising the incomes of poor children's families by helping them get into work and making work pay;
 - b. supporting the living standards of low-income families; and
 - c. raising the educational outcomes of poor children.
6. The Government has also published an in-depth evidence review, which identifies what leads families to be stuck in poverty for sustained periods and what leads poor children to become poor adults.¹ By identifying and understanding the root causes of

¹ An evidence review of the drivers of child poverty:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/302905/35357_Cm_8781_accessible.pdf

child poverty, now and across generations, the Government can target action effectively.

7. The actions set out in the Strategy will tackle persistent child poverty, ensuring no child experiences prolonged periods in poverty.
8. The Government would welcome views on what percentage the persistent child poverty target should be set at by 14 August 2014. Please provide a response to the following questions:
 1. *Do you agree that the Government should legislate for a persistent child poverty target of less than 7 per cent by 2020?*
 2. *If you do not agree, please give your reasons, and set out at what percentage you think the persistent child poverty target should be set at, and why.*

Introduction

9. This consultation seeks views on a proposed new persistent child poverty target for the UK, to be achieved in the financial year beginning with 1 April 2020, under the Child Poverty Act 2010.
10. The Child Poverty Act 2010 (the “Act”) lists four target measures of child poverty; three of which already have targets in place. These are set out in Table 1 below.

Table 1: The three Act measures which have 2020 targets already set

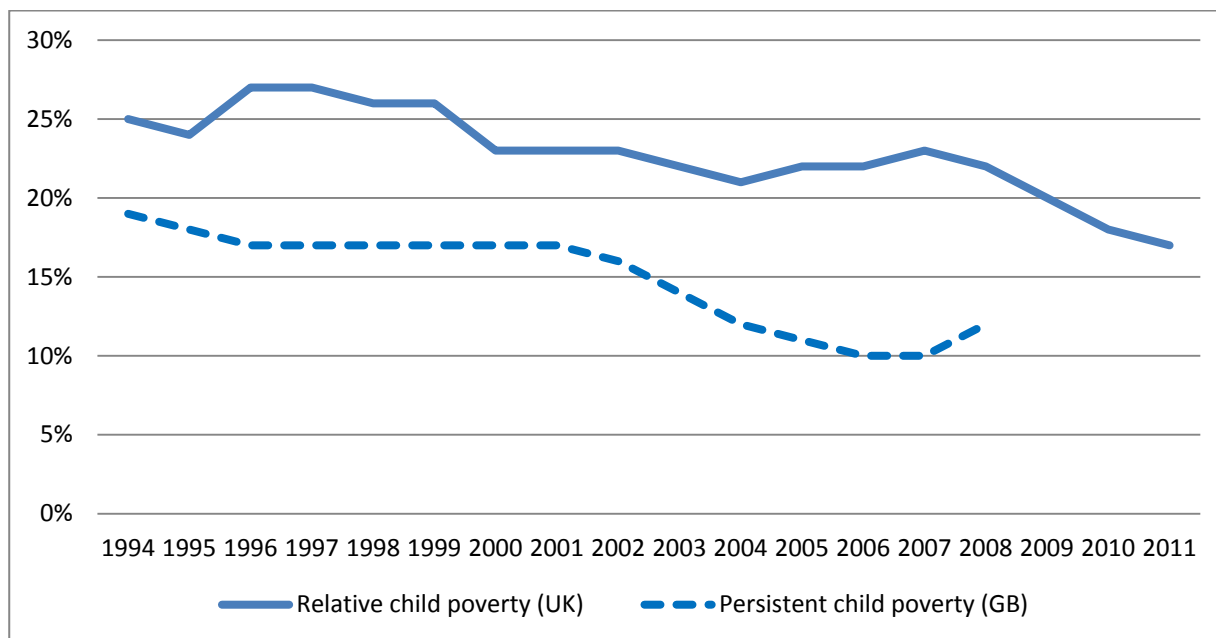
Measure	Definition	2020 target
Relative low income	Proportion of children living in households with an equivalised income below 60 per cent of the current median, Before Housing Costs (BHC).	Less than 10%
Absolute low income	Proportion of children living in households with an equivalised income below 60 per cent of the 2010/11 median, adjusted for inflation (BHC).	Less than 5%
Combined low income and material deprivation	Proportion of children living in households with an equivalised income below 70 per cent of the current median (BHC) who also experience material deprivation.	Less than 5%

11. The fourth measure in the Act, for which a target has not yet been set, is persistent child poverty. This is where a child has lived in a household in relative poverty for at least three years out of a four-year period. A household is in relative poverty if it has an equivalised income of below 60 per cent of the current median household income for the UK in a given year, before housing costs.
12. It is the Government’s firm belief that there is a need for a revised set of child poverty measures which underlines its commitment to reducing child poverty but better reflects the evidence about its underlying causes and where action most needs to be targeted.
13. The Act requires the Government to set a persistent child poverty target through Regulations by December 2014. New definitions of child poverty will not have been put forward by then. In the absence of these, the Government remains committed to meeting its existing obligations under the Act.

The relationship between relative and persistent child poverty

14. Chart 1 below shows how the proportion of children in relative and persistent poverty has changed over time. Persistent poverty figures are only available up to 2008 as this is when the British Household Panel Survey,² on which these figures are based, ended. The Department for Work and Pensions intends to resume publication of these figures using the new Understanding Society survey.³

Chart 1: The proportion of children in relative and persistent poverty over time



Note: The persistent poverty figures are for the four calendar year period ending in the year referenced e.g. 2008 covers 2005-2008. The relative poverty figures are for the financial year beginning in the year referenced e.g. 2011 covers 2011/12.

15. Given that persistent child poverty is a measure of how many children have experienced relative poverty in at least three years over a four-year period, it makes sense that trends in persistent and relative child poverty levels are reasonably aligned.
16. Historic trends suggest that persistent child poverty has tended to be around 50 to 70 per cent of relative child poverty. However, there is no mathematical rule underpinning this relationship: it is dependent on the proportion of children that are moving into and out of relative poverty over the four-year period being measured.
17. Nevertheless, if this historical ratio were to be sustained, and if relative child poverty were to be around 10 per cent, we might expect persistent child poverty to be between 5 to 7 per cent (50 to 70 per cent of 10 per cent, as discussed above).

² Information about the British Household Panel Survey:

<https://www.understandingsociety.ac.uk/about/bhps-in-understanding-society>

³ Information about the Understanding Society survey:

<https://www.understandingsociety.ac.uk/about>

However, this historical relationship could change once levels of relative child poverty are around 10 per cent as the persistent child poverty group could make up a higher proportion of the relative child poverty group, if not the entirety of it. If this relationship were to change in this way once levels of relative child poverty were around 10 per cent, then the proportion of children in persistent poverty could technically also be much closer to these levels.

18. The exact proportion of children in persistent poverty in 2020 will be dependent on what the relative child poverty levels had been in 2020 and the previous three years and how relative child poverty has been reduced during this period. A lack of more recent data on persistent child poverty, and uncertainty around social and economic factors in 2020, mean that these estimates are subject to a fair amount of uncertainty.
19. Annex A gives more detailed information about relative and persistent child poverty trends and how they interrelate.

The Government's recommendation for a persistent child poverty target

20. The Government is therefore minded to set the persistent child poverty target at **less than 7 per cent**. This target is in line with what persistent child poverty is expected to be if relative child poverty was just under 10 per cent, and is therefore consistent with the relative low income target.
21. As the Government's recent evidence review suggests, children living in poverty for prolonged periods are more likely to experience worse outcomes in the future. By reducing persistent child poverty to below 7 per cent, this means that not only will fewer children face the damaging effects of poverty but that even fewer children will experience this for prolonged periods.

Possible alternative options for a persistent child poverty target

22. One possible alternative would be to set the persistent child poverty target at **less than 9 per cent**. As children in persistent poverty are largely a subset of those in relative poverty, this would be consistent with the relative low income target.
23. However, this would be based on an assumption that almost all of the children still in relative poverty were persistently in poverty. The accompanying analysis suggests this seems unlikely, though not impossible.
24. Another alternative would be to set the persistent child poverty target at **less than 5 per cent**. This would be consistent with meeting the relative low income target and in line with the less than 5 per cent absolute low income and combined low income and material deprivation targets.

25. However, this target would be right at the bottom of the expected 5 to 7 per cent range for persistent child poverty if relative child poverty itself were to be around 10 per cent, and therefore would be disproportionately demanding.

The impact of setting the recommended target

26. As setting a persistent child poverty target of less than 7 per cent would be consistent with the existing targets, it would essentially restate the Government's existing commitment to ending child poverty by 2020 and underline the relevance of the actions set out in the Child Poverty Strategy 2014-17.
27. By identifying and understanding the root causes of sustained child poverty, the Government's evidence-based Strategy sets out how it will tackle persistent child poverty and will drive the right action to ensure no child experiences prolonged periods in poverty. The main areas for action are:
- raising the incomes of poor children's families by helping them get into work and making work pay;
 - supporting the living standards of low-income families; and
 - raising the educational outcomes of poor children.

Inviting views on the persistent child poverty target

28. The Government would welcome views on what percentage the persistent child poverty target should be set at by 14 August 2014. Please provide a response to the following questions:

- Do you agree that the Government should legislate for a persistent child poverty target of less than 7 per cent by 2020?*
- If you do not agree, please give your reasons, and set out at what percentage you think the persistent child poverty target should be set at, and why.*

29. Consultation responses can be completed online at www.education.gov.uk/consultations or by downloading a response form which should be completed and sent either by email to PersistentChildPovertyTarget.CONULTATION@childpovertyunit.gsi.gov.uk or by post to:

Persistent Child Poverty Target Consultation
Child Poverty Unit
Sanctuary Buildings
20 Great Smith Street
London
SW1P 3BT

30. This consultation will run for seven weeks and is due to close on 14 August 2014, so responses are requested prior to this date. Responses will inform the Government's final decision on what level the persistent child poverty target should be set at. The target will then be considered by Parliament through the affirmative secondary legislation process, as outlined in the Act.

Annex A: Recent trends in relative and persistent child poverty

Introduction

1. This annex defines persistent and relative child poverty, looks at historic trends and considers how these measures relate to one another.

Relative and persistent child poverty measurement

2. Persistent child poverty is defined as being where a child has lived in a household in relative poverty for at least three years out of a four-year period. A household is in relative poverty if their equivalised income is below 60 per cent of the current median household income for the UK in a given year, on a before housing costs basis. Household income includes income from earnings, benefits, pensions and investments (and other miscellaneous sources) and is adjusted to take account of household size and composition.
3. Persistent poverty figures have been historically published in the Department for Work and Pensions (DWP) Low Income Dynamics (LIDs) National Statistics publication⁴ and were previously calculated using data collected from the British Household Panel Survey (BHPS). The BHPS ended in 2008, and the remaining survey respondents have since been subsumed into the larger Understanding Society survey. DWP intends to resume publication of the LIDs report using the Understanding Society survey, and will pre-announce when this publication will be released in line with National Statistics guidelines.
4. Relative child poverty figures are calculated using the Family Resources Survey (FRS) and are published in the DWP Households Below Average Income (HBAI) report which has figures up to 2011/12⁵ - whilst persistent child poverty figures are only available up to 2008 as this is when BHPS ended.

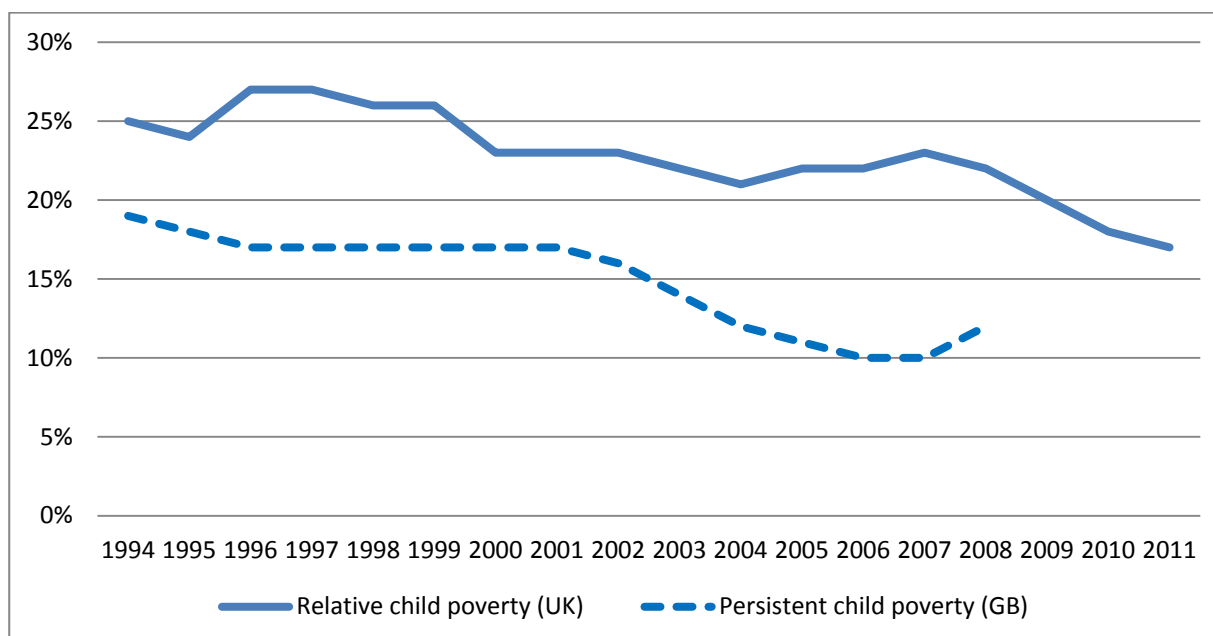
⁴ Low Income Dynamics link: <https://www.gov.uk/government/publications/low-income-dynamics-1991-to-1998>

⁵ Households Below Average Income: <https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

Relative and persistent child poverty trends over time

5. Chart 2 below shows how the proportion of children in relative and persistent poverty has changed over time.

Chart 2: The proportion of children in relative and persistent poverty over time



Note: The persistent poverty figures are for the four calendar year period ending in the year referenced e.g. 2008 covers 2005-2008. The relative poverty figures are for the financial years beginning in the year referenced e.g. 2011 covers 2011/12.

6. These two trends are our best indication of the relationships between relative and persistent child poverty, but they should be compared with caution. They are calculated using data from different surveys (with slightly different methodologies), and cover different geographical areas (persistent child poverty only covers the area of Great Britain, whilst relative child poverty figures cover all of the United Kingdom).
7. Persistent child poverty remained broadly level prior to the year 2000, affecting around one in six children. The proportion of children in relative poverty also remained flat, affecting around a quarter of all children. Following a slow decline in relative child poverty from one in four children around 2000 to one in five children in the mid-2000s, persistent child poverty also began to fall rapidly, from around one in six children to one in ten children (in the four-year period ending in 2006). Relative child poverty levels stabilised towards the end of the 2000s, affecting around one in six children.
8. Whilst no new persistent child poverty data has been produced covering the period after 2008, it is expected that the proportion of children in persistent poverty will have fallen slightly. This is because of a reduction in relative child poverty between 2008/09 and 2010/11, from 22 per cent to 17 per cent, which is likely to have also reduced the proportion of children in persistent poverty.

The relationship between relative and persistent child poverty

9. Given that persistent child poverty is a measure of how many children have repeatedly experienced relative poverty for at least three years over a four-year period, it is expected that trends in persistent and relative child poverty levels should be reasonably aligned.
10. The proportion of children in persistent poverty is partly dependent on the number of children in relative poverty in the current year and the three previous years. Therefore, a reduction in the number of children in relative poverty will not immediately transmit to a fall in the number in persistent poverty. However, if the fall in relative child poverty is sustained, then this should more gradually result in a fall in persistent child poverty.
11. Looking at historic trends, persistent child poverty has tended to range between 50 and 70 per cent of relative child poverty in any given year. However, the ratio of persistent to relative poverty is not necessarily fixed. This relationship is dependent on what proportion of children are moving into and out of relative poverty over the four-year period being measured. If a large proportion of those in relative poverty are stuck there for long periods of time, then the persistent poverty to relative poverty percentage ratio is likely to be high. However, if a very different set of children are in relative poverty in each year then the proportion of those in relative poverty who are also in persistent poverty is likely to be low.
12. This proportion of children moving into and out of relative poverty is driven by social and economic factors. To give an extreme example, a particularly volatile labour market where a large number of people constantly move in and out of work, may result in a large number of households moving in and out of relative poverty. This would lead to a low persistent poverty rate. A stable labour market that is hard to enter may result in low numbers of people entering or leaving relative poverty, and therefore a relatively higher persistent poverty rate. Whilst basic projections of employment and economic growth do exist, attempting to project the exact economic conditions up to 2020 is very difficult and subject to much uncertainty.
13. Therefore, in summary, if relative child poverty were to be around 10 per cent, we might expect persistent child poverty to be around 5 to 7 per cent (50 to 70 per cent of 10 per cent, as discussed above). However, this historical relationship could change once levels of relative child poverty are around 10 per cent as the persistent child poverty group could make up a higher proportion of the relative child poverty group, if not the entirety of it. If this relationship were to change in this way once levels of relative child poverty were around 10 per cent, then the proportion of children in persistent poverty could technically also be much closer to these levels.
14. The exact proportion of children in persistent poverty in 2020 will be dependent on what relative child poverty levels are in 2020 and the previous three years and how

relative child poverty has been reduced during this period. A lack of more recent data on persistent child poverty, and uncertainty around social and economic factors in 2020, mean these estimates are subject to a fair amount of uncertainty.

ISBN 978-1-4741-0757-0



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