

Children in poverty

How to tackle the underlying or systemic causes of child poverty, including addressing potential long-term impacts of the pandemic

Legatum Institute

March 2021

ABOUT THE LEGATUM INSTITUTE

The Legatum Institute is a London-based think-tank with a bold vision: to create a global movement of people committed to creating the pathways from poverty to prosperity and the transformation of society.

Our events, reports, and publications aim to advance education in the fields of economic, political, and social policy. We are not party political and do not promote any particular party policies; we remain open to all ideas and policies that will help move people from poverty to prosperity.

In disseminating our work, we aim to reach the widest possible audience and we actively engage with individuals from the business community, politics, academia, as well as the general public. Our engagements with political figures span all of the major political parties and we welcome constructive dialogue with people from all political persuasions. All policy recommendations stemming from our research are grounded in and shaped by the evidence we uncover in our research and are designed to educate the public and further our charitable objects.

Given the Legatum Institute's goals, we have a strong interest in poverty measurement, reporting and policy. Baroness Stroud, our CEO, is Chair of the Social Metrics Commission (SMC) and, in 2020 we developed a Policy Simulator that uses the SMC measurement framework to understand the impact of policy and socio-economic changes on poverty in the UK. The first report from this was published in November 2020.ⁱ This produced a "nowcast" of poverty in Summer and Winter 2020, through which the impacts of the Covid-19 pandemic and the Government's responses could be measured. We now plan to publish quarterly reports on poverty in the UK, using the Social Metrics Commission's poverty measurement framework.

MEASURING THE EXTENT AND NATURE OF POVERTY AMONGST CHILDREN IN THE UKⁱⁱ

The starting point for devising a strategy to tackle poverty amongst children is to understand the extent and nature of the issue and have a metrics that allow us to evaluate the relative successes of various policy measures (and, in doing do, improve policymaking) and hold policymakers, Government and other institutions to account in their commitment to tackling poverty.

However, as a result of the ongoing debate on poverty measurement, the UK's official measure of child poverty and associated targets were abandoned in 2016. They have not been replaced since then, meaning that the UK does not have an official measure of poverty for either children or adults.

This is a significant problem. Without effective and collectively agreed measures of poverty, it is impossible both for Government to develop a comprehensive anti-poverty strategy and for external organisations to hold Government to account in reducing poverty. The consequence is a policy debate that is taken forward in a vacuum, without an understanding of the impacts on policy.

For this reason, the Legatum Institute strongly endorses the Social Metrics Commission's approach to poverty measurement.ⁱⁱⁱ The Commission formed in 2016 to tackle this very issue: bringing together people from across the political spectrum with statistical, policy and poverty experts, to develop new measures of poverty around which a consensus could be built. The Commission first published the findings of its work in 2018 and, since then, has continued to build support from a wide range of stakeholders. This culminated in the Government announcing that it would develop experimental statistics based on the Commission's approach.^{iv}

The Legatum Institute therefore believes that the first element of taking forward a strategy to tackle poverty is for this measure to be fully adopted and used as the foundation for this strategy. The SMC's measurement framework provides a comprehensive way of identifying who is in poverty (including children and the adults with which they form a family) and how the experiences of families in poverty differ from those families not in poverty. Understanding across each of these areas is essential in ensuring that, as a country, we can develop a comprehensive strategy for supporting those currently in poverty or at risk of poverty in the future to move towards prosperity.

The framework's comprehensive nature is important for a number of reasons:

- 1) Previous measures that focussed on incomes rightly identify income as a key component of understanding poverty. However, it is not the only factor. A better understanding comes from considering a family's

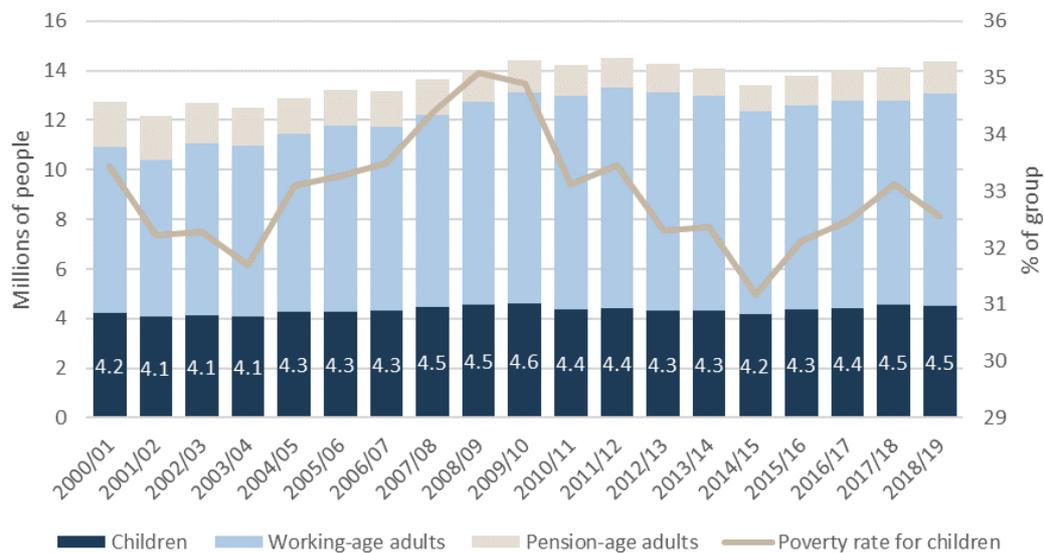
resources (including savings) as well as the debt repayments they face and the costs they cannot escape like housing, childcare and the costs of disability. Each of these issues points to the fact that simply considering incomes provides a misleadingly narrow focus, that risks misidentifying those least able to make ends meet. As a result, the Social Metrics Commission's approach is better able to identify the poverty experience of different families and can be used to more accurately direct policy in ways that will reduce poverty.

- 2) The framework also includes measures of poverty depth and persistence and Lived Experience. Again, these are central to understanding the experiences of families in poverty today, the drivers that led them to poverty and the consequences of poverty on their lives today and chances for the future. This means that the Social Metrics Commission's approach allows for a clearer assessment of the changes that would make the biggest difference to families' experiences of poverty.
- 3) In each of these areas, taking a broad view of the nature of poverty that families face provides policymakers with a range of levers to tackle poverty. In short, rather than simply focussing on redistribution through the tax and benefits system (as was incentivised through previous measures of poverty), policymakers are incentivised to use policy on education, housing, health and family to tackle poverty. Alongside policies focused on tax and benefits, these interventions stand a better chance of delivering meaningful reductions in poverty, which have failed to materialise over the last two decades of anti-poverty action.
- 4) As well being able to inform a wide-ranging anti-poverty strategy, the Commission's framework also draws support from across the political spectrum. This is essential if we are to stop the pointless debate on poverty measurement that has existed for many years and distracted policymakers from actually taking action to tackle poverty.

POVERTY AMONGST CHILDREN PRIOR TO THE PANDEMIC

Based on this measurement framework we can assess poverty amongst children in the UK. Figure 1 shows that 4.5 million children (33%) were in families in poverty prior to the pandemic compared to 4.2 million (33%) in 2000/01.

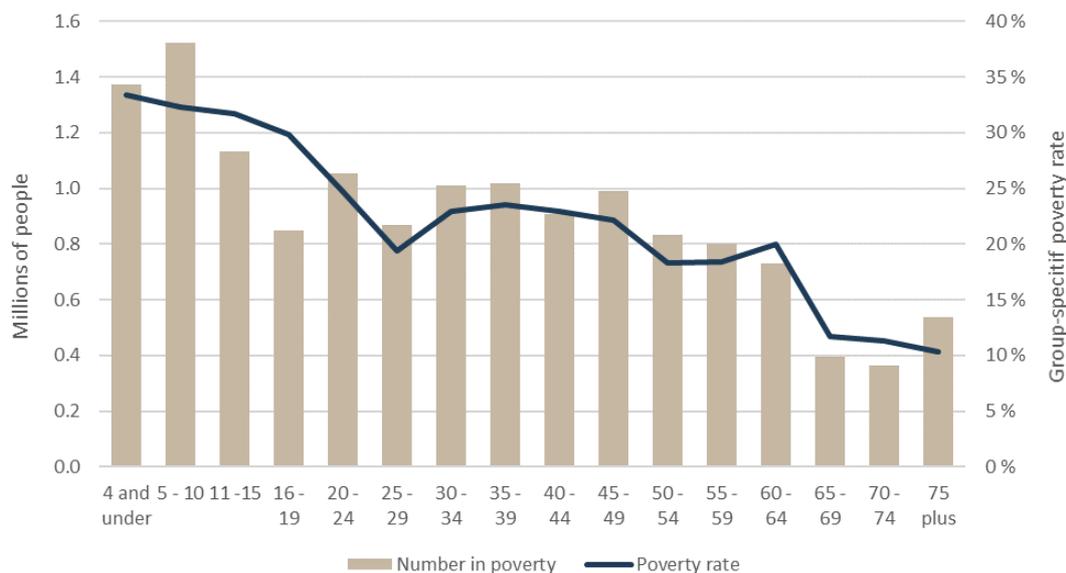
Figure 1: Number of people in poverty, by age category



Source: Social Metrics Commission

Figure 2 shows the most recent data broken down by five-year age group. It demonstrates that the number of people living in families in poverty, and respective poverty rates, are far higher amongst children and young people than for any other age group. For example, prior to the pandemic, 1.4 million (33%) children aged four or under were living in families in poverty. This compares to 0.9 million (19%) 25-29 year olds and 0.4 million (12%) 65-69 year olds.

Figure 2: Poverty rate and numbers in poverty by five-year age bands, 2018/19



Source: Social Metrics Commission

Table 1 shows how children in poverty are distributed across England. Poverty rates (43%) are highest in London, leaving some 800,000 children in the capital living in families in poverty.

Table 1: Poverty rate and numbers for children, 2018/19

	Number	Percentage
North East	200,000	39 %
North West	500,000	35 %
Yorkshire and Humber	400,000	35 %
East Midlands	300,000	29 %
West Midlands	500,000	37 %
East of England	400,000	28 %
London	800,000	43 %
South East	500,000	27 %
South West	300,000	28 %

Source: Social Metrics Commission

POVERTY AMONGST CHILDREN AND COVID-19

Looking beyond the results prior to the pandemic provides us with a clear example of the need for a robust and agreed measure of poverty in the UK. The reason is clear: over the last year, the Government has been walking blind in its response. All of the external indicators suggest that the pandemic has hit those on the lowest incomes the hardest, for example including health,^v labour market and wellbeing impacts.^{vi} However, without a robust measure of poverty, the Government has not been able to quantify either the impacts of the pandemic on poverty, or how the protection it has provided /families has mitigated these effects.

In contrast, Legatum Institute's recent work on these issues shows the importance of measuring poverty. Table 2 and figure 3 demonstrate results from the Institute's November 2020 nowcasting of poverty. Using the SMC's poverty measurement framework, and the most up-to-date projections of the labour market at the time (including the furlough and self-employment support schemes), the report produced a range of scenarios for the likely level of poverty.

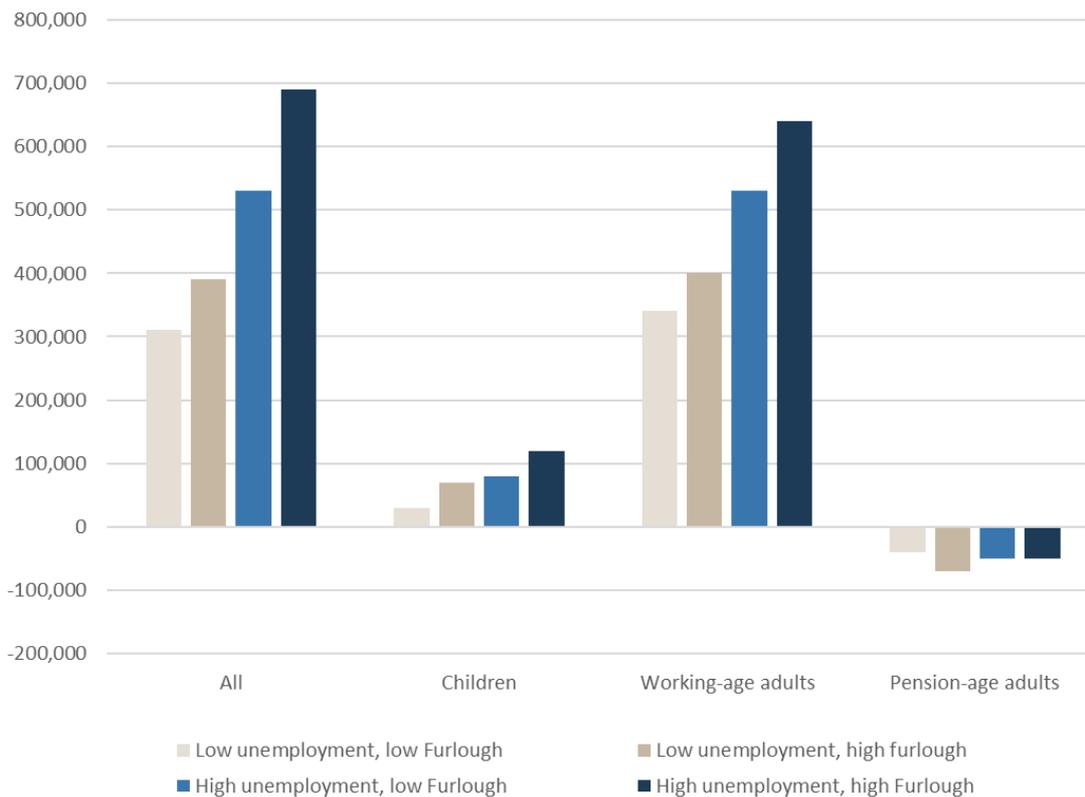
Overall, it suggested that between 30,000 and 120,000 more children were in households in poverty in Winter 2020 than would have been the case if Covid-19 had not occurred.

Table 2: Overall change in number of people in poverty, Winter 2020, compared to the situation where Covid-19 pandemic had not occurred

	Low unemployment, low furlough	Low unemployment, high furlough	High unemployment, low furlough	High unemployment, high furlough
Net difference in poverty	+310,000	+390,000	+530,000	+690,000
Net difference in poverty by age				
Working-age adults	+340,000	+400,000	+530,000	+640,000
Children	+30,000	+70,000	+80,000	+120,000
Pension-age adults	-40,000	-70,000	-50,000	-50,000

Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model.

Figure 3: Changes in poverty in Winter 2020, compared to no-Covid-19 scenario



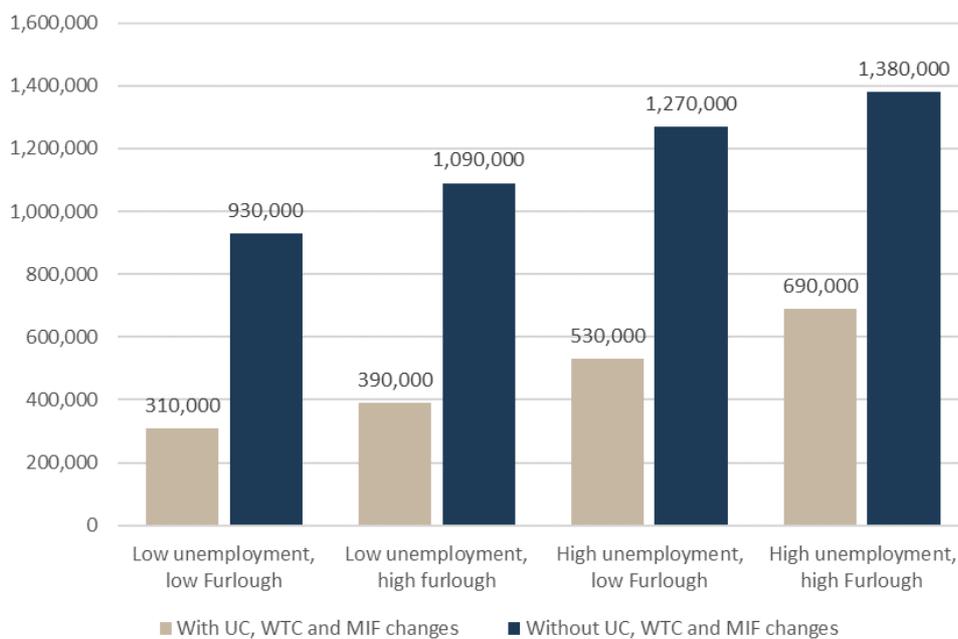
Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model.

A clear benefit of the SMC’s approach here is the fact that, unlike previous measures of relative-income poverty, recessions do not lead to reductions in poverty. This problem with standard relative-income measures stems from the fact that reductions in median incomes lead to the poverty line falling and, as a result, poverty also typically falls. In contrast, the Commission’s work uses a stabilised poverty line (averaging over three years) which means that families’ needs are much more constant over this time scale, and the poverty impacts of macro-economic shocks are much more accurately demonstrated.

Legatum Institute’s work also considered the extent to which Government choices on benefits policy have insulated people from poverty during the Covid-19 crisis. To do this we assessed each of the scenarios under the assumption that increased generosity in Universal Credit and Working Tax Credit and the suspension of the MIF in Universal Credit had not taken place.

Figure 4 shows the significant reduction in the increase in poverty that has resulted from the increase in generosity of these benefits. In each Winter 2020 scenario, these choices have insulated more than 600,000 people from poverty. For the high unemployment, high furlough scenario in Winter 2020, some 690,000 fewer people are in poverty as a result of the changes introduced to benefits and have been protected at a time of crisis.

Figure 4: Comparison of increases in poverty under each Winter 2020 scenario, with and without increased generosity in Universal Credit and Working Tax Credit and the suspension of the Minimum Income Floor in Universal Credit



Source: Legatum Institute, Family Resources Survey and HBAI dataset (1998/99 – 2018/19), IPPR tax and benefit model.

Of course, it is encouraging that the Government’s action has protected these families from poverty. However, without a systematic and comprehensive approach to poverty measurement, the Government will never be able to approach these issues strategically. As we look to the future, and how the recovery from Covid-19 can strengthen and level up the UK, this strategic approach will be essential if we are to reduce poverty for both children and adults.

CONCLUSION

Looking to the future, it is clear that tackling poverty will require a comprehensive strategy that is agreed and delivered across Government and with local authorities and support organisations. The first stage of this will be to adopt a poverty measure that allows for a comprehensive anti-poverty strategy.

As we have already highlighted, the Legatum Institute believes that the Social Metrics Commission's poverty measurement framework provides the ideal starting point for this. By providing policy makers with policy levers that cover incomes, costs (including housing, childcare, disability), assets, debt, mental and physical health, education and skills, family and community and financial resilience, the framework will naturally require cross-departmental working.

Over the coming months and years, the Legatum Institute will be focussed on developing further analysis and providing insight using the SMC's measurement framework. By doing so, we hope to build a significant contribution to the development of an anti-poverty strategy that, amongst its goals, has the ambition to significantly reduce the number of children living in families in poverty.

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- ⁱ <https://li.com/reports/poverty-during-the-covid-19-crisis/> Accessed 23/02/21.
- ⁱⁱ Note that this briefing draws on work submitted to the Work and Pensions Select Committee as part of the enquiry, *Children in poverty*.
- ⁱⁱⁱ <https://socialmetricscommission.org.uk/measuring-poverty-2020/> Accessed 23/02/21.
- ^{iv} <https://www.gov.uk/government/statistics/development-of-a-new-measure-of-poverty-statistical-notice/development-of-a-new-measure-of-poverty-statistical-notice> Accessed 21/03/21.
- ^v See <https://covidrecoverycommission.co.uk/covid-and-deprivation-england-and-wales/> Accessed 23/02/21.
- ^{vi} See <https://covidrecoverycommission.co.uk/neighbourhood-level-claimant-count-change/> and <https://socialmetricscommission.org.uk/poverty-and-covid-2/> Accessed 23/02/21.