

# **How has the child poverty rate and composition changed?**

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## **Introduction**

This note is designed to draw attention to how the pattern of child poverty has changed since the Labour Government started to take an interest in the issue with the Prime Minister's pledge in 1999. The analysis is entirely based on published data – the Households Below Average Incomes analysis by the Department for Work and Pensions. This analysis is based on data in the reports since 1999/00 because that is the first year that the DWP began to publish breakdowns of the poverty rates and characteristics of children in poverty. Even so the breakdowns employed in the analysis have changed over the years which make comparisons over time somewhat problematic. It could be possible to go back to the original data from each survey to undertake a similar analysis. However there are probably advantages in following the DWP statisticians' methodology and it is worth using the data to tell us something about what had been achieved and which groups have benefited most from the changes in demography, labour market and policy that have influenced trends in child poverty.

As well as increased employment rates and changes in the characteristics of families, changes in child poverty may have been influenced by any of the following factors:

- the introduction of the minimum wage in 1998 and its uprating, particularly in October 2002 and 2003, by more than the rate of inflation;
- the increases in Child Benefit, particularly the increase in child benefit in 2000 which much exceeded movements in prices;
- the replacement of Family Credit by Working Families Tax Credit from October 2001 with a premium for disabled children, a disregard of all Child Support payments from non-resident parents and childcare tax credit;
- the introduction of Child Tax Credit in 2002 and the large increases in 2003 and 2004;
- the new Child Support Scheme which began to operate from March 2003, introducing a £10 disregard for parents with care on Income Support.

So the questions this analysis seeks to answer are:

1. Which children have benefited from these changes and trends?
2. How have the policy changes and trends changed the composition of poor children?

The two are of course related but the latter is useful as a confirmation. If the composition of all families was changing, the poverty rate may

change upwards or downwards without any impact from other factors. Also policy could change the poverty rate for a group but it might make little impact on the overall rate because the group affected by the policy change was small. The analysis includes the picture both before and after housing costs.

The Family Resources Survey on which this analysis is based is a sample survey and therefore variations in rates and proportions could be expected due to sampling errors. The DWP estimates that changes in the proportion of children below 60 per cent of the median need to be in the order of 1.5 per cent to be statistically significant at the 95 per cent confidence level. However we are interested in changes in poverty rates of sub groups some of which are small and therefore subject to larger sampling errors. We have therefore only acknowledged changes in proportions in excess of 3 per cent and then only when there is a clear trend in the data rather than what might be year to year fluctuations.

## **Results**

Table 1 compares the poverty rates over the period 1999/0 to 2004/5 after housing costs. Care needs to be taken because the classification of categories is not entirely consistent over time and there was less detail in the breakdowns in the earlier period. The 1999/2000 data is not strictly comparable because it excludes the self employed. However from the table we observe that there has been a significant change (reduction unless stated) in the poverty rate of children in the following households:

- lone parents
- lone parents not working
- four children or more
- one or more disabled adults<sup>1</sup>
- one or more disabled children<sup>1</sup>
- Tax Credit recipients (in 2003/4 because of the expansion in eligibility)
- under 25 and under 29
- youngest child under 5
- Outer London (up)
- South east
- Scotland
- Wales

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<sup>1</sup> Disability benefits and tax credits including Disabled Living Allowance are treated as income though they are to meet extra costs

**Table 1**  
**Child poverty rate - % children living in households with income below 60 per cent of the median after housing costs**

	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
<b>All children</b>	32	31	30	28	28	27
<b>Economic status and family type</b>						
Lone parent:	59	55	54	52	48	48
<i>of which</i>						
in full time work		12	12	15	9	13
in part time work		32	38	33	27	27
not working		77	75	76	74	72
Couple with children:	22	23	22	21	21	20
<i>of which</i>						
self-employed		31	28	25	27	29
both in full time work		2	1	3	3	2
one in full time work, one in part time work		6	7	6	6	6
one in full time work, one not working		25	22	21	21	21
one or more in part time work		54	60	58	55	49
both not in work		76	81	80	77	72
<b>Economic status of household<sup>1</sup></b>						
All adults in work				11	10	12
At least one but not all in work	19	19	19	32	32	31
Workless households	81	80	79	79	77	75
<b>Number of children in family</b>						
One	25	24	25	25	24	23
Two	26	25	24	24	24	23
Three	45	36	35	32	29	30
Four or more		56	50	48	51	50
<b>Disability</b>						
No disabled adults	29	28	27	26	26	25
1 or more disabled adults	45	43	43	39	38	40
No disabled children	31	30	29	28	27	27
1 or more disabled children	40	36	35	31	31	30
<i>of which</i>						
no disabled adults in family	33	34	29	25	28	26
1 or more disabled adults in family	50	39	46	40	36	37
<b>Ethnic group</b>						
White	29	28	27	26	25	25

How has the child poverty rate and composition changed?

Mixed			41	34	44	39
Asian or Asian British			47	55	53	47
<i>of which</i>						
Indian	49	37	36	22	42	33
Pakistani/Bangladeshi	73	73	69	75	63	57
Black or Black British	49		41	46	49	43
Chinese or other ethnic group					52	44
<b>Benefit/tax credit receipt of family</b>						
Disability Living Allowance		24	24	23	19	23
Jobseeker's Allowance		85	84	87	80	73
Incapacity Benefit		48	47	42	40	46
Tax Credits		37	36	36	18	22
Income Support		76	75	75	74	71
Housing Benefit		75	76	74	74	69
Not in receipt of benefit/tax credit listed above		14	14	12	18	16
<b>Age of mother in family<sup>1</sup></b>						
under 25			62	53	52	41
25 to 29		49	49	43	43	37
30 to 34		41	39	33	31	31
35 to 39		36	34	25	24	26
40 to 44		27	27	21	22	22
45 to 49		25	23	22	20	20
50 and over			23	23	22	23
<b>Age of youngest child in family</b>						
under 5		35	33	32	30	29
5 to 10		31	30	29	29	28
11 to 15		25	24	24	24	24
16 to 18		17	17	20	16	15
<b>Geographical disaggregation</b>						
England		30	30	29	28	28
<i>of which</i>						
North East		37	31	37	30	32
North West and Merseyside		32	32	30	29	29
Yorkshire and the Humber		29	32	30	29	29
East Midlands		29	29	29	25	26
West Midlands		37	32	29	32	30
Eastern		22	24	23	22	22
London		41	35	38	41	39
<i>of which</i>						
Inner			48	54	51	52

*How has the child poverty rate and composition changed?*

Outer			26	30	34	33
South East		22	24	20	19	21
South West		27	28	25	26	25
Scotland		30	30	27	25	25
Wales		33	31	30	27	28
<b>Tenure</b>						
Local authority	63		59		56	56
Housing association	64		62		58	56
Private rented	62		57		53	49
Owned with mortgage	14		14		14	14
Owned outright	21		25		21	19
Other	12		14		28	34
No savings			49		49	45
Less than £3,000			22		19	21
£3,000 - £7,999			11		12	10
£8,000- £20,000					8	10
more than £20,000					9	9
more than £20,000					9	11
					4	8

Table 2 compares the composition of child poverty over the period 1999/0 to 2004/5 after housing costs. Again care needs to be taken because the classification of categories is not entirely consistent over time and there was less detail in the breakdowns in the earlier period. From this we observe that there has been a significant change (reduction unless stated) in the proportion of poor children in the following households:

- lone parents
- all adults in work (up)
- three child families
- receiving tax credits (up)
- not in receipt of benefits
- local authority tenants
- housing association tenants(up)

**Table 2**  
**Composition of children in poverty – living in households with equivalent income less than 60% of the median after housing costs**

	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
<b>Economic status and family type</b>						
Lone parent:	45	44	45	45	42	43
<i>of which</i>						
in full time work		2	2	3	2	2
in part time work		5	8	8	6	7
not working		36	35	35	34	34
Couple with children:	54	56	55	55	58	57
<i>of which</i>						
self-employed		11	11	10	11	12
both in full time work		1	1	1	1	1
one in full time work, one in part time work		5	5	5	5	6
one in full time work, one not working		14	13	13	14	14
one or more in part time work		8	9	9	9	8
both not in work		17	17	17	18	16
<b>Economic status of household<sup>1</sup></b>						
All adults in work	45	51	52	22	21	24
At least one in work, but not all				29	31	30
Workless households	55	49	48	48	48	46
<b>Number of children in family</b>						
One	18	18	19	20	21	21
Two	35	35	36	38	38	38
Three	48	27	26	25	23	23
Four or more		20	19	18	18	19
<b>Disability</b>						
No disabled adults	74	74	75	76	77	76
1 or more disabled adults	26	26	25	24	23	24
No disabled children	86	86	88	88	88	88
1 or more disabled children	14	14	12	12	12	12
<i>of which</i>						
no disabled adults in family	7	8	7	6	7	6
1 or more disabled adults in family	6	5	6	6	5	5
<b>Ethnic group</b>						
White	81	81	80	79	78	80



How has the child poverty rate and composition changed?

Mixed				1	2	1
Asian or Asian British				13	11	11
<i>of which</i>						
Indian	3	2	3	2	3	3
Pakistani/Bangladeshi	8	8	8	10	7	7
Black or Black British	4	3		5	6	5
Chinese or other ethnic group				3	3	3
<b>Benefit/tax credit receipt of family</b>						
Disability Living Allowance		5	4	5	4	5
Jobseeker's Allowance		7	5	6	5	4
Incapacity Benefit		7	5	5	5	6
Tax Credits		18	19	22	31	45
Income Support		40	43	42	41	40
Housing Benefit		46	50	46	47	46
Not in receipt of any benefit/tax credit listed above		29	28	26	21	17
<b>Age of mother in family<sup>1</sup></b>						
under 25				8	10	8
25 to 29		15	13	15	14	14
30 to 34		27	27	25	23	23
35 to 39		25	25	25	25	26
40 to 44		16	16	16	17	18
45 to 49		7	8	8	7	8
50 and over		3		4	4	3
<b>Age of youngest child in family</b>						
under 5		48	47	44	44	43
5 to 10		34	36	35	36	36
11 to 15		15	15	17	18	19
16 to 18		3	3	3	3	2
<b>Geographical disaggregation</b>						
England		87	86	87	88	88
<i>of which</i>						
North East		6	5	6	5	5
North West and Merseyside		14	14	13	13	13
Yorkshire and the Humber		9	10	9	9	9
East Midlands		7	8	7	7	7
West Midlands		11	10	10	11	10
Eastern		6	7	7	8	8
London		18	16	19	19	18
<i>of which</i>						
Inner			8	9	8	8
Outer			7	10	10	10

*How has the child poverty rate and composition changed?*

South East		9	11	10	9	10
South West		7	7	7	8	7
Scotland		8	8	8	7	7
Wales		6	5	5	5	5
<b>Tenure</b>						
Local authority	43		35	35	27	26
Housing association	14		16	16	18	21
Private rented	13		14	13	13	14
Owned with mortgage	28		28	29	34	30
Owned outright	4		6	7	7	6
Other	0		0	1	1	1
No savings			68	69	65	64
Less than £3,000			24	24	23	26
£3,000 - £7,999			4	3	7	4
£8,000- £20,000			2	2	3	3
more than £20,000			2	2	1	1
more than £20,000					1	1
					0	1

Tables 3 and 4 provide the same data but before housing costs. The overall child poverty rates are lower. From Table 3 we observe that there has been a significant change (reduction unless stated) in the poverty rate of children in the following households:

- lone parents in part-time work and not in work
- three and Four children or more
- Tax credit recipients (in 2003/4 because of the expansion in eligibility)
- Outer London (up)
- Scotland

**Table 3**  
**Child poverty rate - % children living in households with income below 60% of the median before housing costs**

<b>Economic status and family type</b>	<b>1999-2000</b>	<b>2000-1</b>	<b>2001-2</b>	<b>2002-3</b>	<b>2003-4</b>	<b>2004-5</b>
All children	23	21	21	21	21	19
Lone parent:	36	34	32	33	32	31
<i>of which</i>						
in full time work	8	5	8	11	6	9
in part time work		17	21	19	18	15
not working		50	45	48	49	47
Couple with children:	17	17	17	17	17	16
<i>of which</i>						
self-employed		24	23	23	23	25
both in full time work		1	1	2	2	1
one in full time work, one in part time work		3	4	3	3	4
one in full time work, one not working		18	15	15	16	14
one or more in part time work		46	54	51	48	40
both not in work		63	67	70	63	61
<b>Economic status of household<sup>1</sup></b>						
All adults in work				7	7	8
At least one in work, but not all	13	14	14	27	26	24
Workless households	55	55	52	55	55	52
<b>Number of children in family</b>						
One	15	14	15	15	16	15
Two	17	17	16	16	17	16
Three	35	25	27	24	24	22
Four or more		45	40	45	41	41
<b>Disability</b>						
No disabled adults	20	19	18	19	19	17
1 or more disabled adults	33	32	33	31	30	31
No disabled children	22	21	20	20	20	19
1 or more disabled children	29	26	25	25	22	24
<i>of which</i>						
no disabled adults in family	22	25	19	21	19	19
1 or more disabled adults in family	40	28	35	32	29	31
<b>Ethnic group</b>						

How has the child poverty rate and composition changed?

White	20	19	18	18	18	18
Mixed				21	30	23
Asian or Asian British				46	49	38
<i>of which</i>						
Indian	43	32	29	19	36	28
Pakistani/Bangladeshi	67	64	59	65	61	47
Black or Black British	25			27	35	28
Chinese or other ethnic group				28	35	34
<b>Benefit/tax credit receipt of family</b>						
Disability Living Allowance		17	16	20	13	18
Jobseeker's Allowance		71	76	75	63	64
Incapacity Benefit		38	36	33	30	36
Tax Credits		27	26	26	13	15
Income Support		49	45	48	49	46
Housing Benefit		48	46	45	47	43
Not in receipt of any benefit/tax credit listed above		10	11	10	15	12
<b>Age of mother in family<sup>1</sup></b>						
under 20		30	35			
20 to 24		28	25	26	27	24
25 to 29		24	23	25	28	21
30 to 34		21	23	24	22	21
35 to 39		18	20	19	20	20
40 to 44		17	17	18	17	18
45 to 49		18	18	19	15	16
50 and over				18	22	19
<b>Age of youngest child in family</b>						
under 5		23	21	21	20	19
5 to 10		22	23	22	22	21
11 to 15		19	19	20	21	19
16 to 18		12	13	16	12	14
<b>Geographical disaggregation</b>						
England		21	20	20	20	20
<i>of which</i>						
North East		32	24	32	25	28
North West and Merseyside		22	24	22	23	22
Yorkshire and the Humber		24	25	24	23	24
East Midlands		25	22	23	20	21
West Midlands		26	24	22	26	24
Eastern		12	13	14	17	14

How has the child poverty rate and composition changed?

London		25	21	25	27	24
<i>of which</i>						
Inner			30	37	36	35
Outer			15	18	22	19
South East		11	14	12	11	12
South West		16	16	17	16	16
Scotland		25	25	23	22	21
Wales		26	25	25	21	23
<b>Tenure</b>						
Local authority	48		45	46	44	44
Housing association	33		35	31	37	34
Private rented	25		23	24	24	23
Owned with mortgage	10		11	11	11	10
Owned outright	26		30	29	25	23
Other	18		23	24	34	33
No savings			34	36	36	32
Less than £3,000			15	15	14	15
£3,000 - £7,999			8	6	9	9
£8,000- £20,000			7	6	6	7
more than £20,000			7	7	6	8

Table 4 shows changes in the composition of poor children before housing costs. Groups that have reduced their share significantly are:

- three child families
- Pakistani and Bangladeshi ethnic groups
- receiving tax credits (up)
- not in receipt of benefits
- youngest child under five
- local authority tenants
- housing associations (up)
- owned with a mortgage (up)

**Table 4**  
**Composition of children in poverty – living in households with equivalent income less than 60% of the median before housing costs**

	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5
<b>Economic status and family type</b>						
Lone parent:	43	39	38	39	38	39
<i>of which</i>						
in full time work		1	2	3	1	2
in part time work		4	6	6	6	5
not working		33	30	30	31	31
Couple with children:	57	61	62	61	62	61
<i>of which</i>						
self-employed		13	13	12	12	15
both in full time work		1	0	1	1	1
one in full time work, one in part time work		4	5	4	4	4
one in full time work, one not working		15	12	13	14	13
one or more in part time work		9	11	11	11	9
both not in work		20	20	21	20	19
<b>Economic status of household<sup>1</sup></b>						
All adults in work	46			20	20	23
At least one in work, but not all		52	55	33	34	33
Workless households	54	48	45	47	46	45
<b>Number of children in family</b>						
One	15	15	17	17	19	19
Two	32	34	34	35	36	37
Three	53	27	28	26	25	23
Four or more		24	22	22	20	22
<b>Disability</b>						
No disabled adults	72	72	73	74	75	74
1 or more disabled adults	28	28	27	26	25	26
No disabled children		86	88	87	89	87
1 or more disabled children	14	14	12	13	11	13
<i>of which</i>						
no disabled adults in family	7	9	6	7	6	7
1 or more disabled adults in family	7	5	6	6	5	6
<b>Ethnic group</b>						

How has the child poverty rate and composition changed?

White	80	79	78	78	76	79
Mixed				1	1	1
Asian or Asian British				15	14	12
<i>of which</i>						
Indian	4	3	3	2	4	3
Pakistani/Bangladeshi	11	10	10	12	9	8
Black or Black British	3	4	2	4	6	4
Chinese or other ethnic group	3	3	5	2	3	3
<b>Benefit/tax credit receipt of family</b>						
Disability Living Allowance		5	4	7	4	6
Jobseeker's Allowance		7	7	7	6	5
Incapacity Benefit		7	6	5	5	6
Tax Credits		18	20	22	32	44
Income Support		40	37	38	37	36
Housing Benefit		46	43	39	40	40
Not in receipt of any benefit/tax credit listed above		29	32	29	23	18
<b>Age of mother in family<sup>1</sup></b>						
under 25		6	6	5	7	7
25 to 29		13	11	12	13	11
30 to 34		26	26	25	22	21
35 to 39		27	27	26	28	28
40 to 44		16	17	19	18	20
45 to 49		8	9	10	7	9
50 and over		4	4	4	5	4
<b>Age of youngest child in family</b>						
under 5		44	42	41	40	38
5 to 10		36	38	37	37	37
11 to 15		17	17	19	20	21
16 to 18		3	3	4	3	3
<b>Geographical disaggregation</b>						
England		85	84	85	86	86
<i>of which</i>						
North East		8	5	7	5	6
North West and Merseyside		14	15	13	14	13
Yorkshire and the Humber		10	11	10	10	10
East Midlands		9	8	8	7	8
West Midlands		11	10	10	12	11
Eastern		5	6	5	8	7
London		16	14	17	17	15

*How has the child poverty rate and composition changed?*

<i>of which</i>						
Inner			8	9	8	8
Outer			6	8	9	8
South East		7	9	8	7	8
South West		6	6	6	6	7
Scotland		9	10	9	9	9
Wales		6	6	6	5	6
<b>Tenure</b>						
Local authority	48		37	37	30	29
Housing association	11		13	12	16	18
Private rented	9		8	8	9	9
Owned with mortgage	26		30	32	32	32
Owned outright	7		10	11	11	10
Other	1		1	1	2	2
No savings			67	68	67	63
Less than £3,000			23	23	21	26
£3,000 - £7,999			4	4	6	5
£8,000- £20,000			3	3	3	3
more than £20,000			2	3	1	2
more than £40,000					1	1
more than £80,000					0	1

## Conclusion

This paper has brought together data from successive HBAI publications and analysed how child poverty rates and composition have changed over time.