

Relative rate of change in the incidence of child poverty in workless families compared to working families

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Background

1. The Child Poverty Act 2010 sets four income-based UK-wide targets to be met by 2020. The targets are based on the proportion of children living in households experiencing relative low income, combined low income and material deprivation, absolute low income and persistent poverty.
2. Children are defined as being in relative poverty if they are living in households with equivalised incomes below 60 per cent of contemporary median household income, Before Housing Costs.
3. This note looks at the relative rate of change in the incidence of relative child poverty for children living in workless and working families over the period 1998/99-2009/10.

Methodology

4. This analysis is based on Households Below Average Income (HBAI) data sourced from the Family Resources Survey (FRS). This uses disposable household income, adjusted using modified OECD equivalisation factors for household size and composition, as an income measure as a proxy for standard of living.
5. The Family Resources Survey collects information on the incomes and circumstances of private households. For the 2009/10 survey around 25,000 households were interviewed between April 2009 and March 2010. The survey covers the United Kingdom, but this analysis is restricted to Great Britain, including using a Great Britain low-income threshold, as Northern Ireland data is only available from 2002/03 onwards (statistics for Northern Ireland have been imputed for 1998/99 to 2001/02 but this has not been taken forward for detailed analysis). Further background information and statistics derived from the survey can be found at: <http://research.dwp.gov.uk/asd/frs/>.
6. Net disposable incomes have been used in this analysis. This includes earnings from employment and self-employment, state support, income from occupational and private pensions, investment income and other sources. Income tax, payments, National Insurance contributions, council tax / domestic rates and some other payments are deducted from incomes.
7. The definition of a household used in the Family Resources Survey is a single person or group of people living at the same address who either share one meal a day or share the living accommodation. A household may include more than one benefit unit, defined as a single adult or a married or cohabiting couple plus any dependent children.
8. This analysis has been performed on a Before Housing Cost rather than an After Housing Cost basis. For Before Housing Costs, housing costs are not deducted from income, while for After Housing Costs they are.
9. The analysis compares the rate of change in the percentage of children in workless and working families in relative low income. Rates of change have been calculated using the geometric mean as we are calculating the ratio rate of change over a period.
10. All estimates are based on survey data and are therefore subject to a degree of uncertainty. Small differences should be treated with caution as these will be affected by sampling error and variability in non-response.

11. Percentages of children have been rounded to the nearest percentage point. The ratio rate of change has been calculated based on the unrounded estimates and then rounded to one decimal place. Rounding figures at the final point of calculation of a statistic, rather than earlier, produces the best estimate.

Results

12. The table below gives estimates of the percentage of all children in a) in working families in relative poverty, b) in workless families in relative poverty, c) in relative poverty, Before Housing Costs (BHC). This is based on analysis of a dataset with Great Britain cases only.

	In work	Workless	All children
1998/99	16	66	26
1999/00	15	66	26
2000/01	14	64	23
2001/02	14	63	23
2002/03	14	65	23
2003/04	13	61	22
2004/05	13	58	21
2005/06	14	59	22
2006/07	15	61	22
2007/08	15	60	23
2008/09	15	58	22
2009/10	13	51	20

Source: Households Below Average Income 1994/95–2009/10, DWP

13. To calculate the relative rate of change, the percentage of children in working families in relative poverty and the percentage of children in workless families in relative poverty in 1998/99 and 2009/10 (as shown in the above table) were considered. The average percentage change of the rate over the eleven years was calculated for working and workless families using the geometric mean. Finally the ratio rate of change was calculated by dividing the workless families percentage change of the rate by the working families percentage change of the rate.

14. Using this methodology, the likelihood of being in relative poverty in Great Britain declined 1.5 times faster over the period from 1998/99-2009/10 for children living in workless families than children living in families where somebody worked.

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