

Rethinking Child Poverty

A policy paper by the Centre for Social Justice

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Introduction

This short paper argues that the current measure of child poverty is inadequate. It fails to acknowledge that poverty is about much more than a lack of income. The Centre for Social Justice (CSJ) is clear that in order to construct a measure of poverty that is both accurate and useful, it is vital that the main drivers of poverty – family breakdown, educational failure, economic dependency and worklessness, addiction and serious personal debt – are made the priority for measurement. A faulty conceptualisation of the nature of poverty has resulted in an overarching income inequality target which drives short-term, narrow and expensive policy responses. This paper outlines our serious concerns with this measure, most notably that the exclusive use of an arbitrary line to measure child poverty tells us almost nothing about the suffocating nature of child deprivation. It also fails to assess the opportunities a child has to break free from their present circumstances. We draw on a wide range of evidence and case studies from our Alliance in order to propose a new approach to measurement which focuses on these key drivers. The CSJ strongly believes that any strategy to tackle poverty should focus on the causes of deprivation, not the symptoms. We therefore urge the Government to adopt a measure of child poverty which promotes policies that transform lives, and not merely maintains people on marginally higher incomes.

A summary of proposed indicators

Income-related indicators

1. Source of income
2. Income vs. consumption
3. Ability to save

Non-income-related measures

1. Poor parenting
2. Unstable family structures
3. Workless households
4. Poor educational attainment
5. Addiction or substance abuse in the household
6. Severe personal debt in the household
7. Poor mental health
8. Local factors
9. Well-being measure

Poverty is not just about income

The Government says that poverty is not just about income; it is about a lack of opportunity, aspiration and stability.¹ Yet its own measure of child poverty, which was inherited from the previous Government, fails to capture this. The narrow income-related targets set out in the Child Poverty Act incentivise the Government to throw ever-increasing sums of money at the problem. However, on the basis of overwhelming evidence from the UK's most deprived communities, the CSJ is clear that poverty is a multifaceted phenomenon which cannot be eradicated without an acknowledgement of its key drivers: family breakdown, educational failure, economic dependency and worklessness, addiction and serious personal debt. These drivers diminish the future opportunities of a child and so must also be at the heart of any serious attempt to measure poverty.

¹ HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, London: HM Government, 2010

The failure of the current approach

The traditional approach to defining poverty, most notably articulated by Charles Booth and Seebohm Rowntree, has dominated poverty studies for over a century.² More recently, the Labour Government under Tony Blair took steps to push the issue of poverty and its measurement up the political agenda by introducing, for the first time, a Child Poverty Act, which sets out a definition and means of measuring poverty in the UK. The Act comprises four income-related targets, which are summarised below.

1. **Relative low income** (whether the incomes of the poorest families are keeping pace with the growth of incomes in the economy as a whole) – target is less than ten per cent
2. **Combined low income and material deprivation** (a wider measure of people's living standards) – target is less than five per cent
3. **Absolute low income** (whether the poorest families are seeing their income rise in real terms) – target is less than five per cent
4. **Persistent poverty** (length of time in poverty) – target is to be set in regulations by 2015.³

The first target is the most commonly referred to, stating that a child is considered to be in poverty if they live in a household with an income that is below 60 per cent of the median.⁴ The objective of this measure is to calculate the number of families who have an insufficient level of cash income to meet what is considered to be their needs relative to those of the country as a whole.

On the basis of this measure, Figure one shows that 2.6 million children were judged to be in poverty in 2009/10. This equates to more than one in five children.

However, it is clear that during Labour's 13 years in office, there was only a six percentage point reduction in the number of children deemed to be in poverty, on the basis of this measure. This is despite astonishingly high levels of income redistribution. For instance, between 2004 and 2010, £150 billion was spent on Tax Credits as a means of marginally increasing the income of individuals.⁵ It is patently obvious that this approach has failed.

We agree with Labour MP Frank Field that one consequence of the Act has been to 'straightjacket our understanding of poverty to one particular financial manifestation'.⁶ We have serious concerns about the way poverty is currently understood and measured by the Government.

2 Frank Field, *The report of the Independent Review on Poverty and Life Chances*, London, HM Government, 2010

3 Department for Education, *The Child Poverty Act* [accessed via: <http://www.education.gov.uk/childrenandyoungpeople/families/childpoverty/a0066302/the-child-poverty-act> (25.05.12)]

4 Child Poverty Act 2010

5 HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, London: HM Government, 2010

6 Frank Field, *The report of the Independent Review on Poverty and Life Chances*, London, HM Government, 2010

Figure 1: Percentage and number of children who fall below the 60% of median income threshold⁷

Year	% of children	Number of children (millions)
1997/98	27	3.4
1998/99	27	3.4
1999/00	26	3.4
2000/01	23	3.1
2001/02	23	3.0
2002/03	23	2.9
2003/04	22	2.9
2004/05	21	2.7
2005/06	22	2.8
2006/07	22	2.9
2007/08	23	2.9
2008/09	22	2.8
2009/10	21	2.6

Problems with the current measure

The first methodological flaw of the Government's central measure of poverty is that it is defined in relative terms. The result of this is that the poor will always exist statistically, as it is inevitable that some in society will have less than others. However, simply having less money than others does not necessarily render an individual to be in poverty. The measure therefore confuses poverty with income inequality. The commitment to eradicating child poverty by 2020 is thus almost impossible to achieve on the basis of a relative measure.

What's more, under this measure, a household can be moved into or out of poverty without any change in their circumstances. For example, in a recession, as median incomes fall, so does the poverty line. This means that many households who were previously in poverty are now out of poverty (above the new, lower poverty line).

Similarly, and somewhat bizarrely, an increase in the size of state pensions will lift the median income and thereby push more children below this arbitrary poverty line.

Measuring poverty in this way also fails to distinguish between those furthest away from the poverty line and those just below. As a result, the depth of poverty is not fully realised and improvements in living standards which raise children from far below the poverty line to just below are not captured.

⁷ Department for Work and Pensions, *Households Below Average Income (HBAI) 1994/95–2009/10*, [accessed via: <http://research.dwp.gov.uk/asd/hbai/hbai2010/index.php?page=chapters> (25.05.12)]

However, our main concern is that the exclusive use of an arbitrary line to measure child poverty tells us almost nothing about how the disadvantaged live their lives. This spreadsheet-driven approach is relatively simple to calculate and provides figures which are convenient for politicians and the media to use. Yet we know from our own extensive research as well as the research of others that the key drivers of poverty are family breakdown, educational failure, economic dependency and worklessness, addiction and serious personal debt. It is these drivers which any serious attempt to tackle poverty must address, and so in turn any effort to accurately measure levels of poverty must assess the prevalence of these drivers.

A faulty conceptualisation of the nature of poverty has led to the creation of an overarching income inequality target which drives short-term, narrow and expensive policy responses. As mentioned earlier, the previous Government attempted to meet this income target with astoundingly high levels of income redistribution, but has very little to show for it. Between 2004 and 2010, £150 billion was spent on Tax Credits as a means of lifting individuals marginally above the arbitrarily defined poverty line.⁸ Despite this, child poverty levels have remained relatively high. This approach, aside from being totally misguided, is extremely expensive. The Institute for Fiscal Studies (IFS) estimates that reducing relative child poverty rates to 10 per cent in 2020 solely through the tax and benefit system would cost £19 billion.⁹ This is not a sustainable option given the current economic climate.

Yet even if the economic conditions were conducive to high levels of government spending, the CSJ is clear that tackling poverty must be about transforming lives, not just maintaining people on marginally higher incomes. This binary distinction, whereby someone is deemed either to be in poverty or not, based on whether their income is either a few pounds below or above the poverty line, despite similar circumstances, is too simplistic. The incomes of many families will persistently fluctuate around this line, and measuring poverty in this way does not properly assess the opportunities a child has to break free from a cycle of deprivation.

The previous Government's obsession with raising families' incomes as both the means and ends of tackling disadvantage has been at the expense of understanding what the root causes of people's disadvantage actually are. For example, giving an addict an extra £10 a week does not, in our view, lift them out of poverty – their situation remains broadly unchanged. Similarly, a few extra pounds, often termed the 'poverty plus a pound' approach, will make little difference to an individual who is highly indebted to a loan shark, or is an illiterate parent. The goal of any poverty strategy (and by extension its measurement) therefore cannot be simply to redistribute income. Rather it is only by tackling the root causes of an individual's disadvantage that their life chances and opportunities can be transformed.

8 HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, London: HM Government, 2010

9 Institute for Fiscal Studies press release, *Cost of cutting child poverty rises as families fall further below poverty line*, 18 February 2009

Understanding what drives poverty is key to its measurement

Despite the dominance of the income measure of poverty, there is an increasingly rich body of evidence which challenges the conceptual basis for the current measure of poverty and serves to refocus the debate.

The CSJ's Alliance of over 300 grassroots poverty-fighting charities and social enterprises were consulted in November 2010 as part of a submission to the Frank Field Review on Poverty and Life Chances.¹⁰ These organisations are working on the front line to change the lives of people living in every kind of social and financial disadvantage, and are invited to join the CSJ Alliance for their excellence, effectiveness and innovation. They represent a vast wealth of knowledge and insight from those who fight poverty on the ground on a daily basis. We continuously draw on this wisdom in order to inform all of our policy work. It ensures that our proposals are firmly rooted in what we are being told by those best placed to understand the challenges faced by those in our most disadvantaged communities. We believe that this approach sets us apart from other research organisations.

When asked what single aspect of early childhood has the greatest influence on children's life chances, the top responses were love and affection in a committed family setting, good parenting and the home environment. Respondents were clear that fractured, unstable or unloving families – regardless of material wealth – have a serious impact on a child's life chances, since such an environment can damage self-esteem, trust, confidence, and a child's ability to form positive relationships later in life.

On the issue of family earnings, many responded that while higher family income is beneficial to children and necessary to the point that it meets their essential needs, it is not the money that has the greatest influence on outcomes for the child. Rather, income is related to outcomes for children because of its relational and developmental repercussions. For example, a family is often better off because the parents are in work, which means they have higher aspirations, better self-esteem, and set a good example to their children. Financial stability and financial capability was cited as more important than the actual level of income. It was also widely observed that family stability and values have a greater impact on a child than material prosperity.

Case studies: what real poverty looks like

Our Alliance members tell us numerous stories about homes in which there is an acute poverty of family life. They tell us about 17 year olds who battle with the effects of their mother's alcoholism of ten years, and about young people of 14 who are highly involved in alcohol, drugs, sexual activity, self-harm, anorexia and violence. One service told us the story of a six-year-old boy who had an asthma attack. After taking him home, they found that his parents were out at Bingo – his usual routine was to just wait till they returned at 10.30 in order to deal with the problem. Recently two of the girls that attend one club, aged three and eight, found their mother

¹⁰ Centre for Social Justice, *Summary of submissions from members of the Centre for Social Justice Alliance to The Independent Review of Poverty and Life Chances*, 2010 [unpublished document]

dead in her bed. An alcoholic, and only 35 years of age, she had bled to death after a routine dental procedure. These girls now live with their auntie on the estate. It is far from unusual to find households in which children come a long distant second to parents' social lives, alcohol and drugs. This poverty of family life cannot be solved by the addition of a few pounds. These children lack the support and love they need to progress in life. We believe that this is real poverty.

The case studies below clearly illustrate how only focusing on a lack of income as an indicator of poverty is inadequate. It fails to accurately capture how individuals and families experience poverty in reality. A range of other factors which have a greater bearing on the life chances of a child are drawn attention to. All names have been changed.

Kids Company

When Kids Company first visited the family home, we had to clean faecal matter, blood, urine and graffiti saying 'I hate my life' from the walls. The children had to be given new sheets to replace the soiled and sodden ones they slept on. The mother had severe learning difficulties and mental health issues and was unable to care for the family properly. Her 18-year-old daughter, who also suffered severe learning difficulties, had been raped and had no concept of personal hygiene or how to dress herself. The eldest son, 14, was so desperate for affection he stole money from his mother to buy two dogs, who were, like the children, also neglected. The 14-year-old and his bright, engaging 11-year-old brother kept themselves as clean and presentable as they could in the chaotic home. While they were helping the mother and daughter social services were unable to provide services for the boys.

Kids Company

Kids Company provides practical, emotional and educational support to vulnerable inner-city children. Its services reach 17,000 children across London, including the most deprived and at risk whose parents are unable to care for them due to their own practical and emotional challenges.

Chance UK

James has ADHD and gets involved in fights at school. He does not live with his father, and so does not have a positive male role model. He has aspirations to be a gangster.

James' mother was brought up in 39 different foster homes (from birth until she was 16). She had an unsettled childhood and smoked crack for over three years. The school informed Chance UK that James' mother once dropped him off at nursery and never picked him up again, as she had been arrested for importation. She did not see James during this time and James was adversely affected by this.

James soils himself from time to time and teachers believe this may be the result of his mother not being around during his early years. James' mother's perception of him is that he is a bad boy and she wants him to be the man of the house now that his father is not around.

Chance UK

The mission of Chance UK is to improve the lives of primary school children with behavioural difficulties who are at risk of developing anti-social or criminal behaviour in the future. It does this by providing tailored one-to-one mentoring with a carefully screened, trained and supervised volunteer mentor. It works in a solution-focused way, so that its mentors and staff focus on the child's strengths and what they do well, rather than their negative behaviour.

Place2Be

Chris was referred for Place2Be counselling in Year Five due to concerns about his behaviour and conduct at school. Perceived as highly intelligent, he presented issues including poor concentration, frequent absences and detentions to poor concentration, low self esteem and inability to take responsibility for his actions. He was also at risk of fixed term or permanent exclusion due to his aggression. Before Place2Be intervention, Chris scored level two in Maths and Literacy.

Chris was the eldest of eight children; his mother was separated from his natural father. Social care was involved due to domestic violence and abuse. All the children were subject to a Child Protection Plan; other issues were substance and alcohol misuse by the adults in the family and overcrowding. Chris was the main carer. His absence from school stemmed from the lack of clean clothes and his mother's need for him to do the shopping, cooking, changing and putting his younger siblings to bed

The Place2Be

The Place2Be is a charity working inside schools to improve the emotional well-being of children, their families and the whole school community. Its mission is to enhance the wellbeing and prospects of children and their families by providing access to therapeutic and emotional support in schools, using a proven model backed up by research. It is currently working with 172 schools across the UK, often in areas of great deprivation. Its services are available to 58,000 children coping with problems such as bereavement, family breakdown, domestic violence, trauma and bullying.

The Frank Field Review itself makes clear that 'something more fundamental than the scarcity of money is adversely dominating the lives of these children'.¹¹ The Review finds family background, parental education, good parenting and the opportunities for learning and development in the early years as the key factors which ensure a child has the opportunity to succeed, even in the absence of money. In addition, a poll commissioned by the Review judged income to be only the third most important factor for early years development. The Review outlines a set of Life Chances Indicators, such as the home learning environment, positive parenting, maternal mental health, the mother's age at the birth of her first child and the mother's educational qualifications. These are intended to measure annual progress on a range of factors that are predictive of children's future outcomes.

A recent report by the University of York investigating child poverty on Peabody estates found that parents on the estates were more concerned about the life chances of their children than their material deprivation.¹² In particular there were anxieties around high rates of crime and anti-social behaviour, a lack of options and employment for teenagers leaving school, and a lack of engaging activities for young people. There was also a sense that child poverty was less about a lack of income and more to do with a poverty of ambition.

Demos commissioned original representative polling in order to gauge the attitude of the UK public towards poverty. The polling results revealed that more people disagreed (48 per cent) than agreed (30 per cent) that it is adequate to measure poverty solely by assessing household income.¹³

¹¹ Frank Field, *The report of the Independent Review on Poverty and Life Chances*, London, HM Government, 2010

¹² Peabody, *Understanding and tackling child poverty on Peabody estates*, London: Peabody, 2012

¹³ Demos, *3D Poverty*, London: Demos, 2010

A new approach to measuring child poverty

The Child Poverty Act requires the Government to develop a Child Poverty Strategy which will be revised every three years. We broadly welcome the Coalition's first Strategy, *Tackling the Causes of Disadvantage and Transforming Families' Lives*, as it signals a shift away from the narrow income-based poverty targets.¹⁴ The inclusion of family circumstances, children's life chances and family structure as indicators are positive additions. However, as it stands, only the family resources section of the strategy (i.e. income poverty) is legislated for under the Child Poverty Act.

The CSJ is clear that whilst this strategy goes well beyond the Child Poverty Act in recognising a whole range of factors that influence poverty besides income, these non-income indicators must be prioritised. We also have concerns over some of the details of both the income and non-income indicators.

We set out below a new approach which centres on tackling the core drivers that keep the most disadvantaged entrenched in poverty, on the basis of the evidence in the previous section and elsewhere. It is important to underline that this paper focuses on the measurement of child, or more accurately in our view, family poverty. However the Government should also take into consideration new metrics for the different ways that poverty can be experienced by those who, for example, do not have children, and older people.

At the heart of this approach is a move away from a crude quantitative measure of what it means to experience poverty towards a recognition of the importance of the quality of people's lives and relationships. This multidimensional approach will allow the Government to track its progress more effectively and identify which areas of its poverty reduction strategy require greatest attention.

Re-defining income-related indicators

1. Source of income

An individual's level of income matters, but so does the source of that income. It is important to make a distinction between different sources of income – notably between that which has been earned through gainful employment and that which has been obtained through welfare payments. The former is a sign of an individual's self-reliance and is a more sustainable option as it offers them an opportunity to lift themselves out of poverty. The latter indicates that, despite income transfers from the state, the person is not self-reliant as they are most likely out of work. Economic dependency is a key driver of poverty which must be tackled, and welfare payments which are too high can actually undermine incentives to work or for individuals to lift themselves out of poverty. By treating all sources of income as of equal value, the Government is failing to differentiate between those who are being sustained on welfare payments and those who are in paid employment. This is counter-productive and must be reformed.

¹⁴ HM Government, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, London: HM Government, 2010

2. Income vs. consumption

A family may experience a temporary drop in earnings which sees their income fall below the poverty line, signifying that they are officially 'in poverty'. However a high level of resources or assets may mean that they are able to smooth their consumption and maintain similar living standards in the short-term. There is a risk therefore that the current measure, which takes a 'snapshot' of individuals' incomes at a fixed point in time, will make temporarily low income families appear to be in poverty. It does not account for the fact that incomes often fluctuate. For instance, a family may earn a moderate income for the first nine months of the year, but due to the nature of their employment earn very little or nothing for the remaining three months. However if a 'snapshot' of their income is taken during these last three months, their spending potential will be judged to be far lower than what it would be in reality, as it does not take into consideration the income they earned in the preceding months. Equally, it would be far higher if the 'snapshot' were taken during the first nine months.

By contrast, as consumption decisions are normally based on permanent income as opposed to transitory income, temporarily income-poor households may not be classed as poor if consumption was made a proxy for living standards. It should be noted, however, that the academic literature is far from united in terms of whether using consumption as an indicator is appropriate.¹⁵ For instance, an individual may have a relatively high level of consumption but simultaneously be accumulating a large amount of debt. We therefore suggest the Government explores the possibility of using consumption levels, either as a complement or alternative to the current household income measure.

3. Ability to save

An individual's ability to save is a good predictor of being able or unable to afford particular goods and services. It also implies that they have developed strong financial capabilities. This financial security has positive consequences for children in the household. A household's ability to save is not included in the current measure of poverty. We suggest the Government uses data from the *Family Resources Survey* and *Wealth and Assets Survey* in order to explore this as an indicator.

Beyond income: a broader understanding of child poverty

Below are a number of 'risk factors', which evidence shows increase the likelihood that a child is living in poverty. Whilst the prevalence of just one of these factors reflects a deficit in their well-being, we argue that the more of these 'risk factors' that are present, the lower the probability that a child is able to escape poverty. We therefore suggest the Government develops a graded measure.

1. Poor parenting

The importance of a positive upbringing cannot be underestimated. Children's outcomes are directly and unavoidably linked to their family experience and any serious measure of poverty must reflect this.¹⁶

¹⁵ For example, see Institute for Fiscal Studies, *Household spending in Britain: What can it teach us about poverty?*, London, Institute for Fiscal Studies, 2006

¹⁶ Action for Children, *Deprivation and risk: the case for early intervention*, Action for Children: London, 2010

Central to good parenting is ensuring that children are 'school ready', enabling them to take full advantage of their 11 years of schooling to develop, rather than be in permanent and unsuccessful 'catch-up'.¹⁷ We welcome the inclusion of low birth weight as a proxy for 'school readiness' in the Government's Child Poverty Strategy, and suggest the Government explores additional proxies such as a child's ability to dress themselves, be toilet trained and respond to their name.

2. *Unstable family structures*

Our evidence shows that children who grow up in stable, two-parent and, in particular, married couple families have better mental and physical health outcomes than those who do not. They do better in school and are less likely to be involved in crime or substance abuse.¹⁸ Children from 'broken homes' are twice as likely as those from 'intact' families to have behavioural problems.¹⁹ Fewer than one in ten married parents have split by the time a child is five compared with more than one in three who were not married.²⁰ We therefore suggest the Government explores indicators such as the percentage of households comprising two-parent families and the percentage of these that are married.

3. *Workless households*

It is widely accepted that work is the best and most sustainable route out of poverty. Research shows that poverty and entrenched or persistent worklessness are often intergenerational.²¹ For instance, if a child grows up in a workless household, they are more likely to be out of work in later life themselves. A son with a workless father is likely to experience between 8–11 per cent more time out of work themselves between the ages of 16 and 23.²² The nature and quality of the home environment is therefore a significant predictor of future life chances and opportunities. Earning money through gainful employment has many life changing advantages – people in work have better health; they develop strong social networks; and they become living proof to themselves and others around them of a link between effort and reward.²³ The number of households where no one has ever worked has doubled since 1997, and two million children are now growing up in workless households.²⁴ We suggest the Government explore indicators which show the proportion and number of children living in households where one or more member does not work.

However it is also the case that the rise of the number of lone parents working part-time has increased the prevalence of in-work poverty.²⁵ It would therefore be wise for the Government to also explore indicators which show the proportion and number of children living in households that rely on benefits for a certain proportion of their income.

17 Centre for Social Justice, *Early Intervention: Good Parents, Great Kids, Better Citizens*, Centre for Social Justice: London, 2010

18 Centre for Social Justice, *Breakthrough Britain: Family breakdown*, Centre for Social Justice: London, 2010

19 Meltzer H et al, *Mental Health of Children and Adolescents in Great Britain*, The Stationery Office: London, 2000

20 Analysis of Millennium Cohort Study corroborated by Goodman and Greaves, IFS Briefing Note BN107, 2010

21 Centre for Social Justice, *Breakthrough Britain: Economic Dependency and Worklessness*, Centre for Social Justice: London, 2007

22 The Centre for Market and Public Organisation, *Measuring the intergenerational correlation of worklessness*, The Centre for Market and Public Organisation: Bristol, 2011

23 Centre for Social Justice, *Dynamic Benefits: Towards welfare that works*, Centre for Social Justice: London, 2009

24 Centre for Social Justice, *Breakthrough Britain: Economic Dependency and Worklessness*, Centre for Social Justice: London, 2007

25 Joseph Rowntree Foundation, *Addressing in-work poverty*, Joseph Rowntree Foundation: London, 2008

4. *Poor educational attainment*

Our education system should help transfer opportunity and wealth across our society, and between generations. Yet it is less likely today that a child with parents in a low income bracket will rise to the top income bracket than it was in 1970.²⁶ Too many young people leave school without the skills and qualifications to secure a sustainable job and lead a fulfilling life. The existence of a quality school in a local area can offer hope and opportunity for young people to break free from their disadvantage. We suggest the Government explores indicators such as truancy rates and levels of academic attainment as proxies for attendance at a failing school.

5. *Addiction or substance abuse in the household*

Around one and a half million children have a substance-abusing parent.²⁷ Parental addiction or substance abuse often leaves children neglected, un-nurtured, and exposed to abuse inside and out of the home. The reality is that children are likely to repeat the chaotic and unpredictable behaviour of their parents. There is a pattern of one or both parents drinking or taking drugs and being abusive or neglectful to their children. In turn, those children are propelled into substance abuse which is likely to trigger truancy. Truancy then triggers educational failure, educational failure triggers unemployment, and unemployment in turn is a very high risk factor for increasing substance abuse. Substance abuse appears to be as much of a catalyst for family disruption and dysfunction as it is an outcome.²⁸ We suggest the Government explores indicators such as the frequency and severity of alcohol/illegal drug consumption.

6. *Severe personal debt in the household*

Unmanageable debt is a particular problem for low income families. Our research and polling shows that those in debt are more likely to be out of work, to have left school early, to have a history of alcohol or drug addiction, depression or a record of trouble with the police.²⁹ The future opportunities of individuals in such circumstances are therefore greatly reduced.

With few savings to fall back on, poor financial literacy and little or no access to mainstream banking facilities, many individuals find themselves financially excluded and more vulnerable to unexpected changes. The number of pay-day lenders operating in disadvantaged areas is also on the rise, and the extremely high rates of interest charged for such lending can propel individuals further into debt and make their situation far worse.

Furthermore, the level of income a family accumulates should be understood in the context of the income requirements of that family. For instance, whilst two families might have similar levels of income, the composition of those two families may be very different; the number of children, the expense of health requirements etc may vary, resulting in very different household budgeting needs. The expenditure requirements of one family may greatly exceed the requirements of the other; and this equalisation is not fully accounted for in the current measure.

²⁶ Centre for Social Justice, *Breakthrough Britain: Educational Failure*, Centre for Social Justice: London, 2007

²⁷ Centre for Social Justice, *The state of the nation report: Addicted Britain*, Centre for Social Justice: London, 2006

²⁸ Ibid

²⁹ Centre for Social Justice, *The state of the nation report: Indebtedness*, Centre for Social Justice: London, 2006

We suggest the Government explores indicators such as levels of spending compared with income as a proxy for financial capability, and what the money accumulated by a household is actually spent on. It would also be useful to explore the proximity of pay-day lenders to disadvantaged families.

7. *Poor mental health*

Children from the lowest quintile (20 per cent) of household income are three times more likely than those in the richest quintile to have common mental health problems.³⁰ Children's future relationships, their ability to fulfil their potential both educationally and in the workplace as well as their basic enjoyment of life are all threatened by mental illness and unmet emotional needs. We suggest the Government develops indicators which shed light on the mental and emotional well-being of children; this could be measured using well-established tools such as the *Strengths and Difficulties Questionnaire*.

8. *Measuring local factors*

Factors which are unique to a specific geographical area often have a particular bearing on the life chances and opportunities of young people. Examples include access to a good school and the employment prospects in an area. We suggest the Government explores the possibility of allowing local areas to decide on a set of indicators relevant to child poverty at a local level.

9. *Well-being measure*

The Office for National Statistics (ONS) is developing new measures of national well-being which will investigate the quality of life of people in the UK. The measure will examine different areas of well-being such as health, relationships, job satisfaction, economic security, education and environmental condition.³¹ Such an indicator will provide a wider subjective measure of social and economic progress. We suggest that the Government explores means of integrating this measure in a way which is relevant to child poverty.

Collecting data and measuring outcomes

It is unfortunate that the Department for Work and Pensions (DWP) has discontinued its annual *Opportunity for All* reports, which tracked the progress of a range of social indicators that affect children. This would have provided a valuable source of data to draw on. However the Government still collates and publishes a significant amount of other data, such as the *Family Resources Survey*, which is under-utilised at present. We also refer the Government to our recent publication, *Outcome-based Government: How to improve spending decisions across Government*, which offers clear guidance on how to design indicators with measurable fiscal, social and economic value.³²

30 Centre for Social Justice, *Completing the Revolution: Transforming mental health and tackling poverty*, Centre for Social Justice: London, 2011

31 Office for National Statistics, *Measuring National Well-being* [accessed via: <http://www.ons.gov.uk/ons/guide-method/user-guidance/well-being/index.html> (09.05.12)]

32 Centre for Social Justice, *Outcome-based Government: How to improve spending decisions across Government*, Centre for Social Justice: London, 2011

Conclusion

The CSJ strongly believes that any strategy to tackle poverty should focus on the root causes of deprivation and the social breakdown which fuels it, not the symptoms. Yet the way the previous Government conceptualised and sought to measure poverty is deeply flawed. The legacy of this is a narrow and one-dimensional Child Poverty Act which focuses solely on income and material deprivation. This is despite huge swathes of evidence to demonstrate that poverty is about far more than this.

The case studies from our Alliance clearly illustrate that poverty is not just about income, it is about family breakdown, educational failure, intergenerational worklessness, addiction, serious personal debt and poor mental health. It is absolutely vital that any serious measure of poverty reflects this. It is wholly unacceptable for such high and deep-seated levels of poverty to exist in the UK today. Such poverty devastates our communities and destroys the life chances of our children. We therefore call on the Government to make a bold commitment to confronting this problem head-on. Transforming the way poverty is measured would be a crucial first step. We urge the Government to review its Child Poverty Act in order to construct a measure of poverty which is fit for the 21st Century – it would be one of the most radical and commendable accomplishments of its period in office.

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