Research Sandwell

Final 12 December 2012

Proportion of Children in Poverty

The revised local child poverty measure - (Formerly National Indicator 116):

Her Majesty's Revenue and Customs (HMRC) released on 30th September the latest child poverty statistics for 2010. The data shows the numbers and percentages of families and children living in relative poverty (defined as less than 60% equivalised median income).

Main Findings for Sandwell

According to HMRC figures, in August of 2009 Sandwell had 30.4% of their children population living in what is considered "relative" poverty[1]. This represents 23,285 children. The 2010 score represents a decrease of 1.2% from the 2009 figure (31.6%); although the indicator show an improvement of child poverty in the borough, we have reason to believe that this is due to a national decrease of the median family income due to the economic downturn, and not to any significant amelioration of the economic wellbeing of these families. The proportion of children in poverty in Sandwell has retuned to the levels of 2006, when the indicator was first recorded, which means that Sandwell has not made any progress as measured by the indicator.

The pattern of child poverty drop is mirrored by national and regional trends, which reinforces the interpretation that the cause is the reduction in the national median income. All the local authorities in the West Midlands Met County, which are Sandwell's immediate neighbours, have seen also a decrease in NI 116 from 2009 to 2010 except for Birmingham, the only area which has seen a consistent improvement in their score (child poverty has reduced almost 1.2% since 2006). Sandwell is now ranked 3rd worse in the West Midlands County in terms of child poverty (after Birmingham and Wolverhampton). The 2010 data also shows that the borough still ranks within the worst quintile (20%) in England.

In Brief:

- Child Poverty in Sandwell decreased 1.2% between 2009 and 2010, from 31.6% to 30.4%. The borough now ranks in 3rd place in the WM Met County for child poverty, after Birmingham and Wolverhampton.
- The gap with the national and regional averages has also reduced to 9.8% and 7.1% respectively.
- Sandwell is now in the same position regarding child poverty as it was in 2006 when the indicator first started being recorded (30.4%). Only Birmingham has significantly decreased child poverty in the same period, whereas the rest of the WM Met County authorities have increased their child poverty rates.
- Child Poverty has decreased nationally, a trend that was also identified in the latest Household Below Average Income (HBAI) report published by DWP earlier this year. As identified by several commentators when HBAI was published, the reduced child poverty figures may be the result of the national lowering of

[1] **The revised local child poverty measure (formerly National Indicator 116): The proportion of children in poverty**

Definition: The proportion of children living in families in receipt of out of work (means-tested) benefits or in receipt of tax credits where their reported income is less than 60 per cent of median income

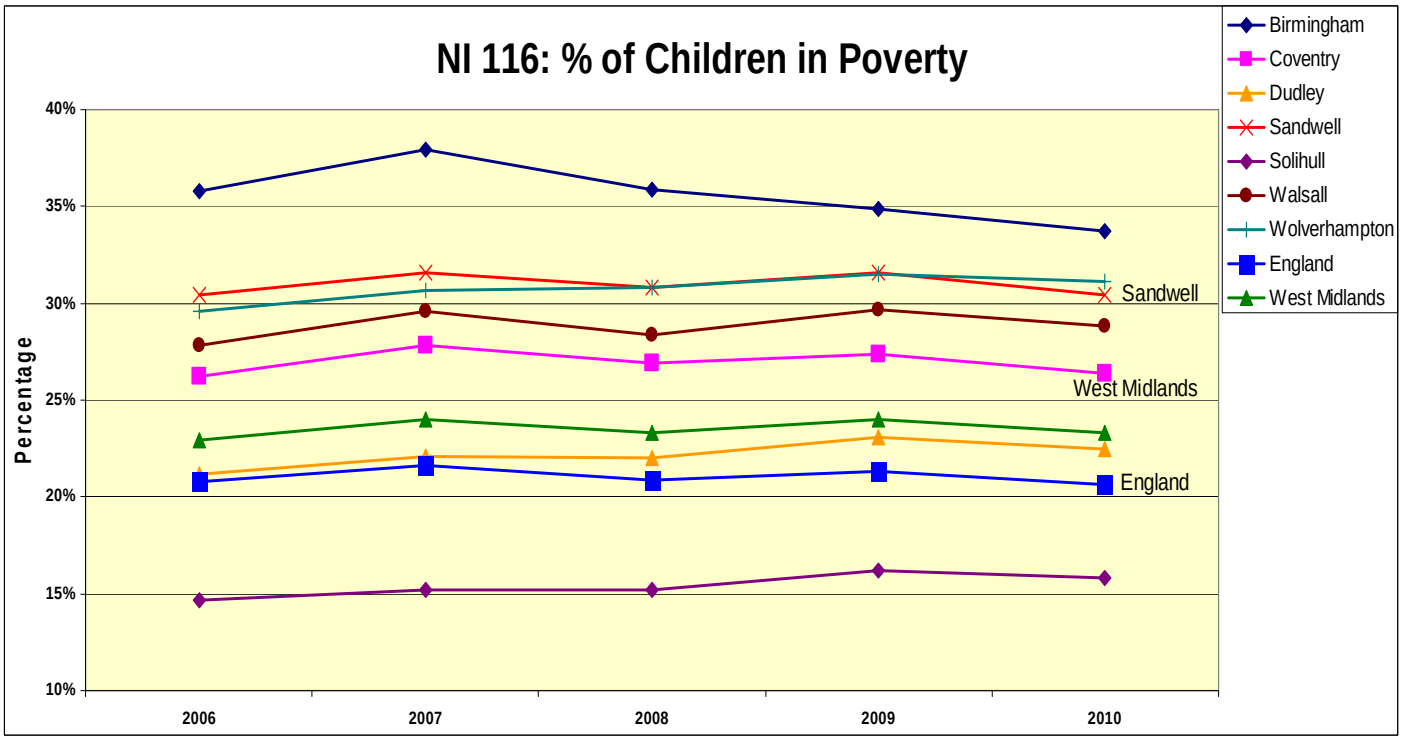
the median household income from £432 to £419 a week from 09-10 to 10-11. Consequently, it is expected

Table 1. Child poverty measure in England, West Midlands GOR and Met County authorities 2006-2009

	NI 116 % of Children in "Poverty"					Change	
	2006	2007	2008	2009	2010	2009-2010	2006-2010
England	**20.8%**	**21.6%**	**20.9%**	**21.3%**	**20.6%**	-0.7%	-0.2%
West Midlands	22.9%	24.0%	23.3%	24.0%	**23.3%**	-0.7%	0.4%
West Midlands (Met County)							
Birmingham	35.8%	37.9%	35.9%	34.9%	33.7%	-1.2%	-2.1%
Coventry	26.2%	27.8%	26.9%	27.4%	26.4%	-1.0%	0.2%
Dudley	21.2%	22.1%	22.0%	23.1%	22.5%	-0.6%	1.3%
Sandwell	30.4%	31.6%	30.8%	31.6%	30.4%	-1.2%	0.0%
Solihull	14.7%	15.2%	15.2%	16.2%	15.8%	-0.4%	1.1%
Walsall	27.8%	29.6%	28.4%	29.7%	28.8%	-0.9%	1.0%
Wolverhampton	29.6%	30.7%	30.8%	31.5%	31.1%	-0.4%	1.5%

that the proportion of families in income deprivation (10% above median) will increase accordingly.

Chart 1. Child poverty measure in England, West Midlands GOR and WM Met County authorities 2006-2009



The following pages in this briefing show the findings from the child poverty measure analysed at sub-district level (neighbourhood and ward). You can also find an analysis of income for Sandwell families based on the HMRC records.

Main Findings for Sandwell Wards

In line with national and regional trends, Sandwell has seen the levels of child poverty decrease in the borough between 2009 and 2010. However, it is significant to see how this has been reflected at ward level.

An analysis of the evolution of the indicator at ward level shows significant variations (see table below):

Table 2- Percentage of children in relative poverty in Sandwell 2006-2009 – by ward

COMPARATORS	2006	2007	2008	2009	2010	Change 06-10	Change 09-10
England	**20.8%**	**21.6%**	**20.9%**	**21.3%**	**20.6%**	**-0.2%**	**-0.7%**
West Midlands	22.9%	24.0%	23.3%	24.0%	23.3%	0.4%	-0.7%
Sandwell	30.4%	31.6%	30.8%	31.6%	30.4%	0.0%	-1.2%
Sandwell Wards							
Abbey	18.0%	17.1%	19.2%	20.9%	19.6%	1.6%	-1.3%
Blackheath	26.7%	27.7%	27.1%	29.8%	27.2%	0.5%	-2.6%
Bristnall	22.9%	24.7%	24.0%	25.0%	23.8%	0.9%	-1.2%
Charlemont with Grove Vale	17.1%	17.7%	18.0%	21.3%	18.4%	1.3%	-2.9%
Cradley Heath and Old Hill	28.4%	29.1%	28.1%	28.5%	29.1%	0.7%	0.6%
Friar Park	38.0%	39.9%	40.3%	40.6%	38.6%	0.6%	-2.0%
Great Barr with Yew Tree	17.8%	18.1%	18.9%	21.0%	20.4%	2.6%	-0.6%
Great Bridge	32.1%	32.2%	30.3%	31.8%	30.7%	-1.4%	-1.1%
Greets Green and Lyng	37.0%	39.6%	35.7%	36.0%	34.5%	-2.5%	-1.5%
Hateley Heath	33.3%	32.5%	35.2%	37.5%	34.8%	1.5%	-2.7%
Langley	27.0%	28.4%	30.0%	29.9%	31.9%	4.9%	2.0%
Newton	17.8%	17.7%	17.5%	19.2%	19.4%	1.6%	0.2%
Old Warley	18.3%	17.5%	18.6%	20.8%	19.7%	1.4%	-1.1%
Oldbury	30.6%	32.8%	30.7%	30.1%	27.7%	-2.9%	-2.4%
Princes End	36.4%	40.2%	40.8%	43.3%	42.2%	5.8%	-1.1%
Rowley	29.9%	30.1%	30.3%	31.5%	31.5%	1.6%	0.0%
St Pauls	42.6%	44.0%	40.5%	37.7%	35.8%	-6.8%	-1.9%
Smethwick	36.5%	37.3%	36.0%	35.9%	35.0%	-1.5%	-0.9%
Soho and Victoria	49.6%	52.2%	48.1%	45.1%	42.2%	-7.4%	-2.9%
Tipton Green	32.8%	33.4%	31.9%	32.7%	30.9%	-1.9%	-1.8%
Tividale	26.0%	27.7%	27.3%	29.1%	27.5%	1.5%	-1.6%
Wednesbury North	32.2%	31.8%	32.5%	32.1%	31.5%	-0.7%	-0.6%
Wednesbury South	25.9%	26.2%	25.4%	28.0%	27.1%	1.2%	-0.9%
West Bromwich Central	26.5%	30.6%	27.6%	27.2%	28.6%	2.1%	1.4%

*** In red, increase above the Sandwell average (worse); in green, equal or below rate of change (better).**

The figures show that 19 wards (79%) have experienced an improvement in their child poverty rates between 2009 and 2010, with Charlemont and Grove Vale being the ward with the most improved score (a decrease of 2.9% in child poverty). As explained before, this general improvement is due mainly to the reduction of the national median income, and it is envisaged that consequently the proportions of families in income deprivation will increase.

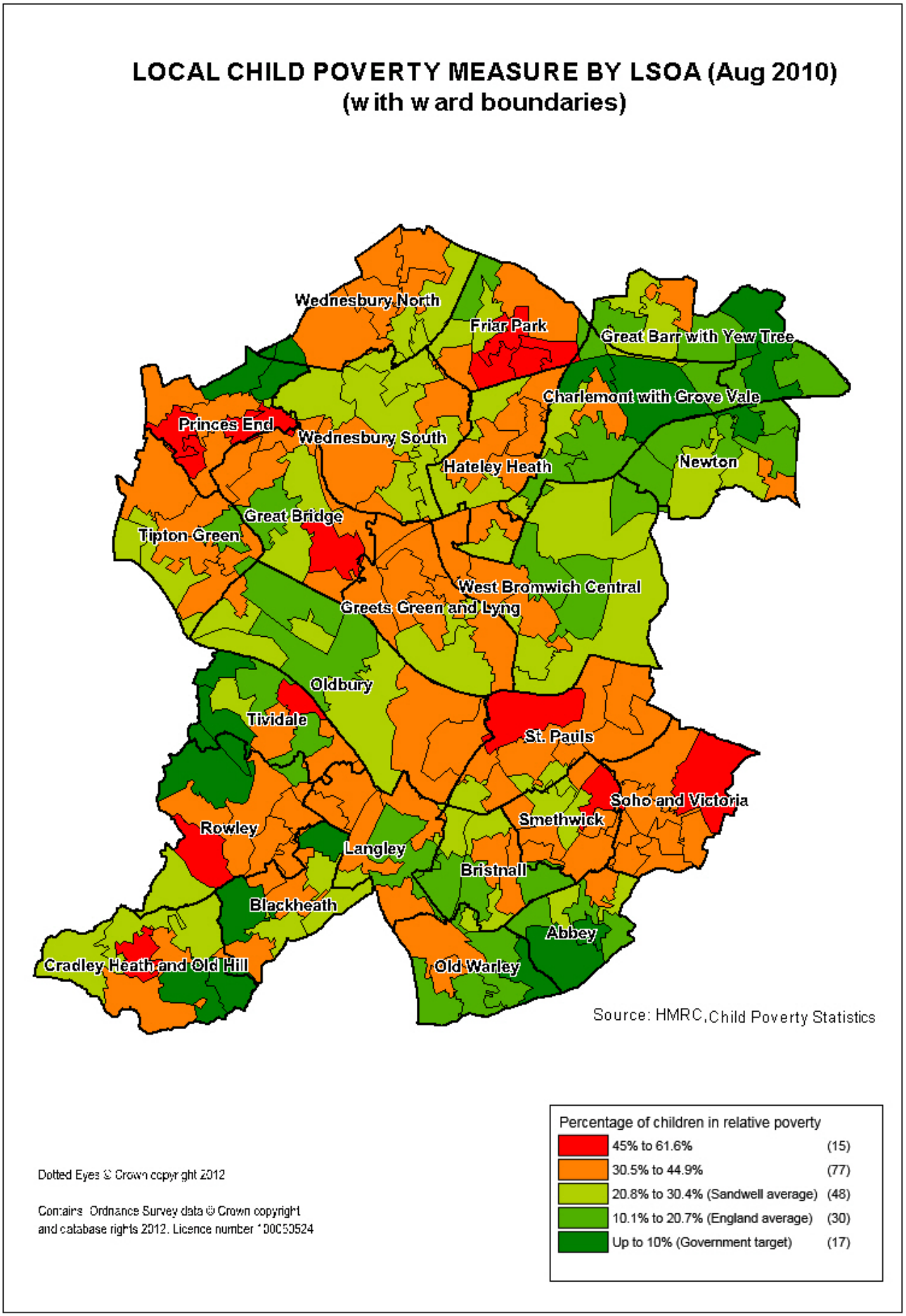
However, 4 out of the 24 wards (17%) have actually increased their child poverty rates between 2009 and 2010. The wards with the most acute increase are Langley (2%) and West Bromwich Central (1.4%). The top 4 wards for child poverty remain unchanged, with a worsening in Smethwick and a slight improvement in Greets Green.

When looking at the change over the lifetime, we can see that in 16 out of 24 wards child poverty has got worse since 2006, with the highest increase being in Princes End (5.8%), Langley (4.9%) and Great Barr with Yew Tree (2.6%). Only in a third of the wards the indicator has improved in the last 6 years. The wards with the most improvement are Soho and Victoria (-7.4%) and St Pauls (-6.8%).

Summary of Findings

The best and worst wards in Sandwell in terms of child poverty have not changed significantly in the past 5 years. Significant improvements have been made in Soho and Victoria and St Pauls in spite of being in the worst quintile, whereas Langley and Princes End have significantly worsened. The gap between the best and worst wards has consistently reduced from 32.5% in 2006 to 23.8% in 2010.

Map 1- Local child Poverty Measure (previous NI 116), August 2010 by LSOA



Main Findings for Sandwell Neighbourhoods

The map on the previous page shows the 2010 child poverty rates at small area level (the Census Lower Super Output Areas, or LSOAs). When analysing the data at this level, we can see more severe deviations from the Sandwell average rate (30.4%), from 61.6% in Windmill Lane to 2.4% in Oakham, a gap of 59.2%.

The change between 2009 and 2010 has been moderate, with the worst increase in child poverty being in Whiteheath (7.7%) and Glebefields (7%), whereas the most improved rate in the year was recorded in Blackheath (-7.8%). The second most improved areas are Bearwood, Horseley Heath and Tividale with -7.2% change.

Neighbourhood change 2006-2010s

In spite of the decrease of child poverty rates borough-wide, 100 LSOAs (53.5%) saw their poverty rates increase between 2006 and 2010. Only 1 of the small areas, Old Hill, hasn't changed since 2006 at 39.4% child poverty rate. This means that now 86 (46%) of small areas in Sandwell have seen an improvement in their child poverty rates since 2006. The median rate of change for small areas in Sandwell is a 0.6% increase.

The neighbourhoods where child poverty rates have decreased the most in the last 5 years are:

- Cape Hill (-18.1%) in Soho and Victoria
- Harvills Hawthorn (-12.5%) in Wednesbury South
- Horseley Health (-11.7%) in Great Bridge

The neighbourhoods where child poverty rates have increased the most in the same period are:

- Swan Village and Carters Green (+ 11.3%) in Princes End
- Glebefields (+ 10.8%) in Great Bridge
- Woods and Mesty Croft (+10.4%) in Friar Park

DWP Consultation to change the Child Poverty Measure

These figures have been put together with data from the summer of 2010, and although the national, regional and local picture shows that child poverty is decreasing, we do know that this is because of the national lowering of the median household income, it does not reflect increases in real income of poor families. In that sense, the picture that the figure is portraying is inconsistent with the reality experienced by families and public services.

This apparent amelioration is a result of the methodology used to calculate the child poverty measure, which is reliant on the "relative" value of the median household income. All research and reputable forecasts models published by the Institute of Fiscal Studies[2] (IFS) and the Campaign to End Child Poverty [3] contradict what the indicator is saying and consistently predict the rise of child poverty in this decade.

A recent report of the IFS on *Living standards, poverty and inequality in the UK: 2012* states that:

- Using a poverty line fixed at 60% of 1998–99 median income, absolute child poverty was unchanged in 2010–11, unlike relative poverty which has reduced in line with the move of the "poverty line".

- The reductions in income poverty among children since 1998–99 relied heavily on increases in fiscal redistribution towards low-income households with children (benefits and tax credits, with a net income of around £77 per week for the poorest half of households with children).

- The 2010 Child Poverty Act sets ambitious targets to reduce measures of relative and absolute income poverty among children by 2020; these measures of poverty are highly sensitive to the level of fiscal redistribution. There is no realistic chance that these will be met under current policies or with the current income-based measures, as demonstrated by the Report on the 2010 target published this year.

It is clear that the current local poverty measure, which is dependent on the fluctuations of household income, is proving inadequate to capture the experience of families on the lowest incomes. To address this, the Government has launched a consultation on 15 November 2012 to modify the current child poverty measure to encompass more dimensions than just income, for instance worklessness, debt, poor housing, parental skills and health, access to quality education and family stability.

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[2] *Child and Working-Age Poverty from 2010 to 2020*, Institute for Fiscal Studies

[3] Local Child Poverty Indicator Estimate for mid-2011, Action for Children

Levels of Poverty: Severe Poverty and Income Deprivation

The Government's first national Child Poverty Strategy, *A New Approach to Child Poverty: Tackling the Causes of Disadvantage and Transforming Families' Lives*, was published in April 2011. The document set out a new approach to tackling poverty underpinned by the principles of strengthening families, encouraging responsibility, promoting work, and providing support to vulnerable families while reforming the welfare system.

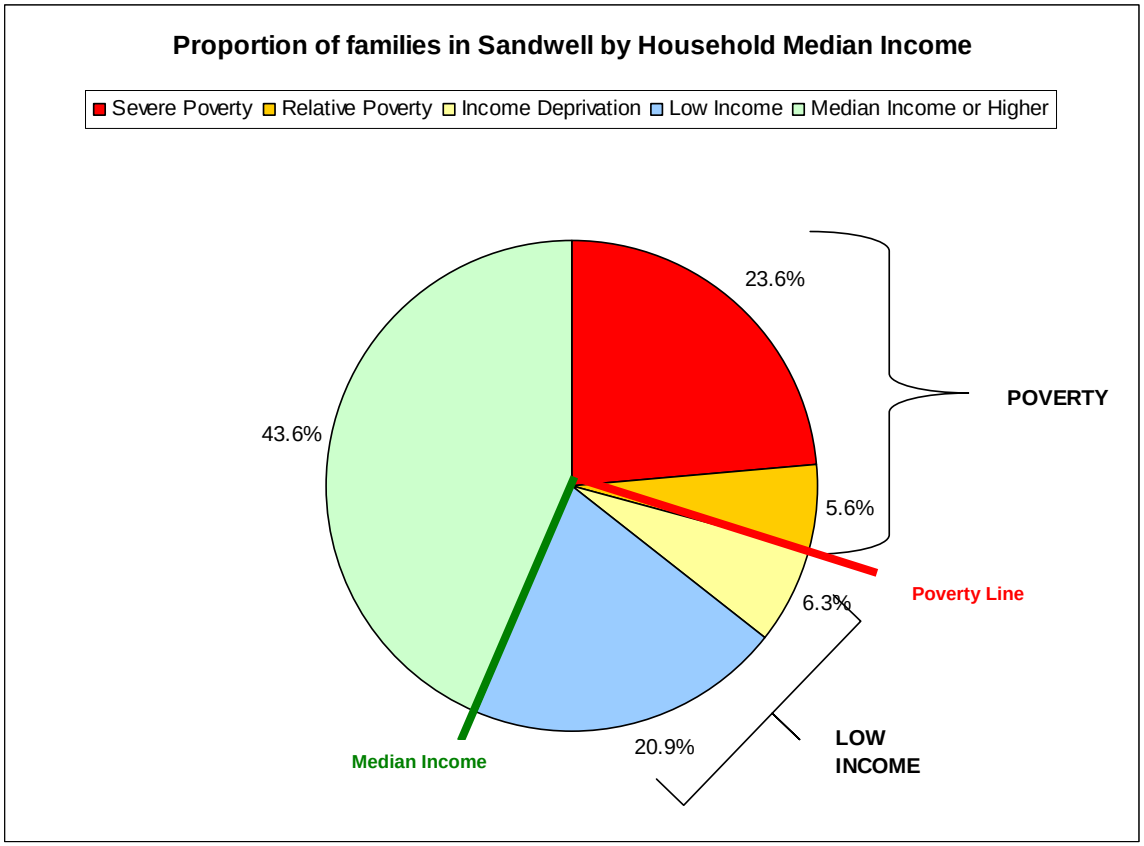
Set against the backdrop of the Child Poverty Act 2010 and the Spending review, the strategy meets the requirement to set out the proposed measures to make progress between 2011 and 2014. Under Family Resources, the strategy includes 5 income measures: relative low income (known as "relative poverty"), absolute low income, combined low income and material deprivation, persistent poverty and severe poverty.

Except for absolute low income and persistent poverty, whose measurement is still to be determined, the rest of the indicators can be calculated using data on household income from HMRC.

The equivalised median income in 2010/11 was set at £419 Before Housing Costs (BHC) per week for a couple with no children (equivalised income benchmark).[4] The poverty threshold for the benchmark family would be £251 per week. The amount would vary per type of family depending on the composition.

Based on the HMRC data at 31 August 2010, only 43% of Sandwell families have an income equal or above the national median. This means that 56% of families in Sandwell live on less than the national average for their family type. The majority of these families live below the poverty line (a third of all Sandwell families). But, more worryingly, the rate of families in severe poverty (less than 50% median) has increased to 23.6% since 2009.

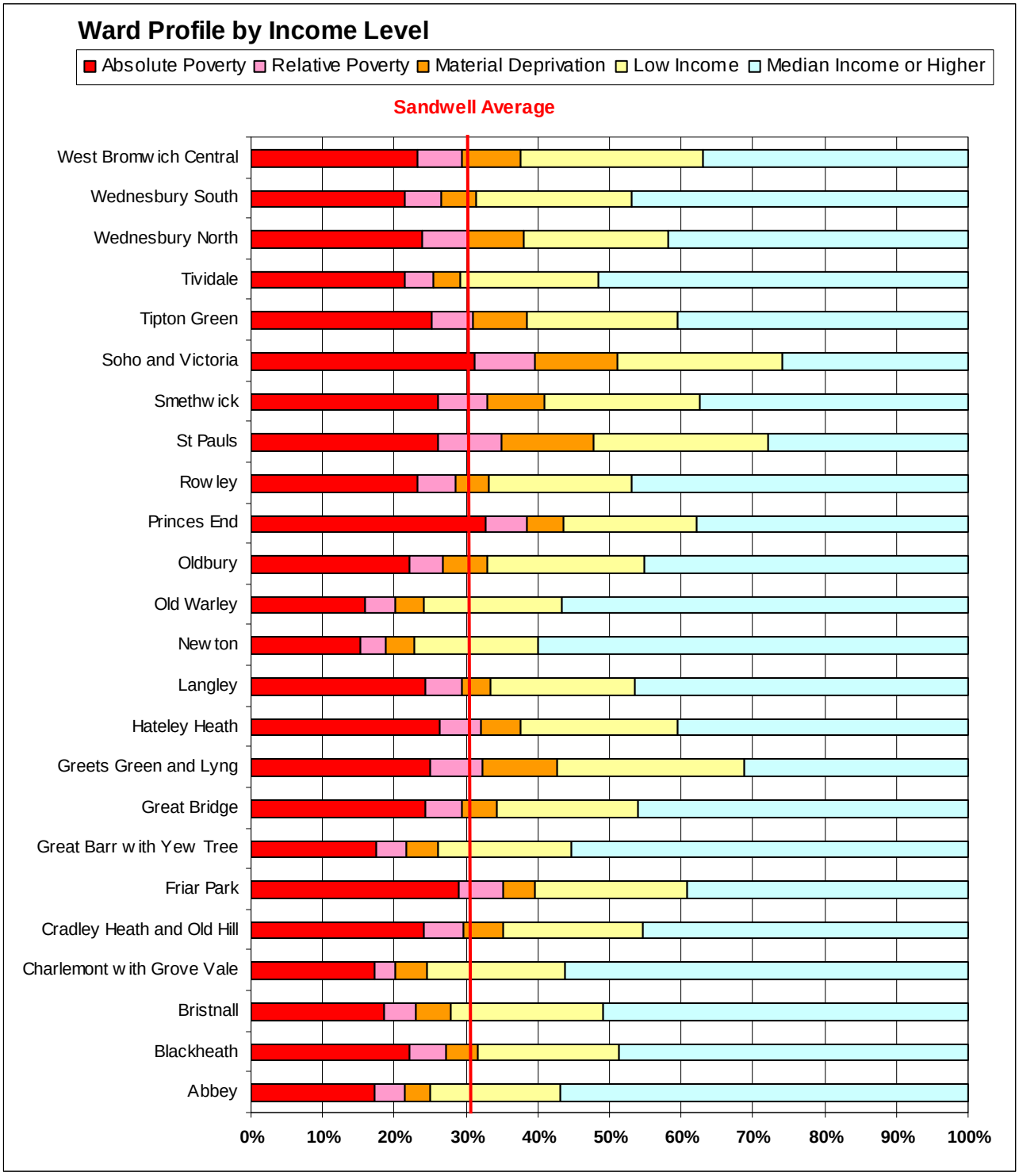
Chart 2- Income Distribution of families with children in Sandwell, August 2010[5]



When looking at the same income distribution within Sandwell, we see how in a third of the wards we have high rates of in poverty (compared with the borough average). Just over a quarter of wards in Sandwell (7 wards) have more than half of their families living on an income equivalent to the national median or higher.

[4] Source: HBAI 2010/11, DWP.
[5] Source: HMRC Sensitive Analysis (Families with children by ward and ratio of equivalised income)

Chart 3- Income Distribution of families with children in Sandwell, by ward (August 2010)



Summary of Findings

The analysis of poverty by income seems to indicate that the gap is closing between families above and below the poverty line, with an increase of 2.1% of families now not classed as poor. This is not so much because poor families are increasing their economic wellbeing, but because of the lowering of the poverty threshold.

The main reduction is found in the "severe poverty" band, which has reduced by almost one percentage point. The decile of families either side of the poverty line hasn't changed significantly (-0.3% variation).

For any queries on this briefing note, please contact Dolors Medina, Senior Research Officer

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