A critical evaluation of child poverty measurement in the United Kingdom

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Abstract

Despite widespread recognition of the importance of multidimensional poverty measurements, the United Kingdom (UK) has continued to rely on headline measures of ‘absolute’ and ‘relative’ income-poverty to track progress. Existing targets focus on household income, failing to recognise that poverty is experienced through multiple deprivations and that a child’s experience is distinct from that of an adult’s. Children from poor households face greater risks along multiple dimensions, including school completion rates, future earnings, risky behaviours, physical and mental health, and subjective measures of wellbeing.

This paper critically evaluates current progress made in the development of multidimensional measures of child poverty in the UK. Particular attention is paid to constraints to multidimensional measurements, including selection and weighting of deprivation indicators. The paper identifies the parameters necessary for a more comprehensive multidimensional child poverty target, comparable to the strategies currently employed in Ireland and the European Union. A single, transparent multidimensional measure that will replace, not simply complement, targets currently place will better support improved policy targeting and allow for more sophisticated and innovative solutions to address the structural inequalities that produce persistent poverty.
**Introduction**

The two decades preceding the 1990s in the United Kingdom (UK) saw a dramatic rise in levels of inequality and poverty. The number of households with children living in relative income poverty peaked in the 1990s (Figure 1).

**Figure 1. Relative child poverty since 1961**

![Graph showing relative child poverty since 1961](image)

Source: Cribb et al., 2012.

Child poverty became a focus of the policy agenda in 1999, when Prime Minister Tony Blair announced the historic pledge to end child poverty within a generation (Blair, 1999). The policy was enshrined as a set of income-based targets for 2020. Having failed to meet interim targets, in 2010, the government revised the Child Poverty Act to the following four targets shown below:

**Figure 2. Child poverty targets**

- Fewer than 10 per cent of children living in ‘Relative Poverty’
- Fewer than 5 per cent of children living in ‘Absolute Poverty’
- Fewer than 5 per cent of children experiencing ‘Material Deprivation’ with low income
- An overall reduction in the number of children who experience long or persistent relative income poverty (three years or more)

Since committing to the elimination of child poverty, the UK has relied on headline measures of ‘absolute’ and ‘relative’ income-poverty to track progress. Relative income poverty thresholds are based on median incomes in a given year, and households with (equivalised) incomes less than 60 per cent of median, are classified as
relative income poor. Absolute poverty is similar, except the income threshold does not vary year on year, but remains fixed. Both approaches establish an income threshold that determines the poverty headcount.

It is now well accepted in policy circles, however, that poverty is a complex concept and its underlying causes are inherently multidimensional (Sen, 1999; Bourguignon and Chakravarty, 2003). Amartya Sen’s Capabilities Approach is now the philosophical backbone of the movement towards multidimensional poverty indicators. In line with this tradition, being ‘poor’ is no longer conceptualised as simply having low income. Poverty results from a broader set of deprivations that hinder an individual’s capability or freedom to achieve the outcomes they value the most (Alkire and Santos, 2013). Thus, to adequately identify who is poor requires a measurement approach that penetrates the depths of what it means to experience poverty and deprivation (Sen, 1999).

Measurements focusing on household income fail to recognise that poverty is experienced through multiple deprivations and that a child’s experience is distinct from that of an adult’s (Gordon et al., 2003; Minujin, 2009; Alkire and Foster, 2011). Research on early childhood provides evidence that brain development is sensitive to socio-economic status and is adversely effected by impoverished surroundings (Duncan et al., 1998). Children from poor households face greater risks along multiple dimensions including: school completion rates, future earnings, risky behaviours, physical and mental health, and subjective measures of well-being (Griggs and Walker, 2008). While it is widely accepted that prolonged deprivations in childhood are correlated with poorer adult outcomes, strong causality is difficult to establish because the effects of low-income are also correlated with additional ‘experiences of disadvantage’, such as poor schools or being raised by a single parent (Duncan and Magnuson, 2011, p. 25).

Thus, the central problem remains measuring the size of indirect income-effects, relative to more direct deprivations (Cooper and Stewart, 2013). This underlines the need to replace income-only targets with more comprehensive multidimensional targets. Reliance on a one-dimensional measure will produce a one-dimensional solution. More direct measurements can identify specific deprivations with the most significant impacts on future outcomes. Improving measurement supports policies that directly address deprivations instead of simply redistributing incomes via tax-credits or child-benefits (Duncan et al., 1998; Horgan, 2005; Dickens, 2011).

Under the coalition government, politicians continue to emphasise work as the path out of poverty, but slow economic recovery and a sluggish labour market have limited the success of this approach (Wood, 2013). Studies show that the majority of individuals categorised as ‘poor’ now come from ‘in-work’ households (Macinnes, et al, 2013). Rising ‘in-work poverty’ suggests that welfare-to-work policies have done little to sustainably alleviate child poverty (Wood, 2013). Forecasts by the UK Institute for Fiscal Studies (Figure 3) predict an increase that will widen the gap between 2020 targets and the expected trajectory of child poverty.

This paper critically evaluates current progress on multidimensional measures of child poverty in the UK. Particular attention is paid to constraints to multidimensional measurements, including selection and weighting of deprivation indicators. Broader recommendations will address the potential for alternative measures to replace income-based headline measures. A comprehensive multidimensional target is expected to support improved policy targeting and allow for more sophisticated and innovative solutions to emerge in addressing structural inequalities that produce persistent poverty.
The remainder of this paper is structured as follows: The paper first analyses income-based measures, outlining challenges to reliably measuring household income. This analysis is then followed by an evaluation of the progress on multidimensional measurement and current deprivation indicators followed by a discussion on alternative approaches used in Ireland and the EU as potential sources of future innovation. The final section then outlines general policy recommendations and concludes by summarising findings.

**Figure 3. Absolute and relative child poverty**

![Figure 3. Absolute and relative child poverty](image)

Source: Brewer et al., 2010.

**LIMITATIONS OF INCOME-BASED METRICS**

**Income as an indirect measure**

Despite increasing support for evaluating poverty as a multidimensional phenomenon, in practice, the politics surrounding poverty reduction has meant progress is still evaluated with respect to one-dimensional income measures (Duclos et al., 2006; Alkire and Roche, 2011). Preference for income-based measures reflects the demand for approaches that are simple and readily understood by politicians and the public. Without a doubt, poverty headcounts are simple and transparent, but they are also severely limited in their ability to measure the depth and dimensions of poverty. Given the growing interest in evidence based policymaking, this raises the question of why income continues to be used to measure welfare and wellbeing in families.

Continued reliance on income measures by UK policymakers is supported by the belief that household income is causally linked to child-welfare. A systematic literature review by Cooper and Stewart (2013) tested 34 studies for causal links between money and welfare outcomes in children. Of the results, 23 were positive, six were mixed and five found no significant results. Of the 23 positive studies, 18 were from North America. Results from the UK were much less clear; two found positive associations while two found no significant results. These

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6 Years up to 1992 are calendar years; thereafter, years refer to financial years. Incomes are measured before housing costs are deducted (BHC) and equivalised using modified OECD equivalence scales. Figures before 2001 are for Great Britain and 2002 onwards are for the whole UK.
differences partly reflect disparities in welfare policies. Thus, generalising findings to the UK may be invalid. Income effects may be more pronounced in American studies given the lack of quality public healthcare available at the time of the studies (Perry, 2002; Cooper and Stewart, 2013). Overall, the systematic review suggests that for the UK, the link between income and welfare is tenuous.

In addition to causality, there are well-established concerns about the measurement accuracy of income data. These problems are particularly pronounced at the lower end of the income distribution (Whelan, 2007) where households may experience more frequent, but short-term transitions into poverty. Income measurement is not continuous and thus such transitions may be missed by annual headcount measures. Income data is at best an indirect measure of poverty, and at worst, measures based on it produce statistically unreliable data (Ringen, 1988).

**Problems of reliability and measurement bias**

Income measures are prone to considerable measurement error and bias. A UK study by Hansen and Kneale (2012) found that income data was sensitive to survey methodology, particularly the number and types of questions; the study highlighted that relative knowledge or understanding of household income varies significantly with the respondent. It looked at data collected from household and individual income surveys. Less than one third of respondents reported income consistently across different survey types. As a result, income data can contain considerable measurement error and bias leading to inconsistent results. Probability of measurement error is greater for point-in-time estimates; these errors are further compounded for longitudinal studies (based on panel data), particularly errors that are correlated over time (Bradbury et al., 2001). Even if income data inconsistency and bias is addressed, final headcount poverty figures still conceal considerable heterogeneity between households categorised as ‘poor’. Headcount figures cannot detect changes in intensity and severity of poverty (Alkire and Roche, 2011). Low sensitivity suggests that poverty headcounts are inappropriate for assessing policy impacts.

However, in addition to the general criticisms of reliability and validity of measurements, relative income measures produce additional challenges. Relative income poverty lines vary directly with changes in national median incomes for a given year. When economic volatility is heightened, particularly during recessions, rapidly falling median incomes drive artificial decreases in relative income poverty. Thus, poverty headcounts contract during recessions without any real change in income or living standards (Joyce, 2006). This has the propensity to politicise and conflate the results of broader macroeconomic changes with changes in poverty reduction policies.

Studies on the effects of measuring poverty via income metrics also identified a gap between segments of the population that were identified as income poor and segments that were experiencing some degree of material deprivation (Perry, 2002). A further study by Whelan, et al. (2004) argued that different measurements produce different levels of poverty, and identify different groups within the population itself. Under this premise, there is a difference between households that experience transient income shocks and households that experience periods of sustained deprivation. In categorising different experiences of poverty, Whelan et al. (2004) try to distinguish between households experiencing transitional or recurrent poverty, and those experiencing persistent poverty. Decomposition by population group is critical to creating suitable policy instruments (Alkire and Foster, 2011).
These complexities illustrate problems of income-based measurement. Better identification is needed to understand the processes that produce and perpetuate poverty in society today (Bourguignon and Chakravarty, 2003).

**Transition and recurrence of poverty**

Improvement in the quality of micro-data on income provides further support for the need to replace income-based measures. The annual British Household Panel Survey (BHPS) produces a diverse range of indicators of poverty and tracks changes across different types of poverty. The results suggest that there is substantial heterogeneity between households that are aggregated into the low-income category by the relative income poverty threshold. Figure 4 below uses BHPS’s panel data to illustrate the differences between persistent and transitory poverty in the UK, monitoring the number households entering and exiting ‘low income’ from 2004 and 2007 (Palmer, 2008).

**Figure 4. Transition into and out of poverty**

All households in Figure 4 are categorised as income-poor, but as illustrated, there is a substantial degree of heterogeneity below the income poverty threshold, most notably between households experiencing persistent poverty and those merely transitioning through poverty. Over the four-year period covered, only 18 per cent of studied low-income households were persistently poor while 44 per cent transitioned into and out of low-income poverty (Palmer, 2008). BHPS is gathered annually at a point in time; households are not continuously monitored during the measurement window. This suggests the degree of persistent or recurrent poverty may be even higher than depicted in Figure 4.

Such heterogeneity between households supports the case for eliminating income-based measures, which cannot fully capture variations in poverty. Figure 4 suggests that households with fewer transitions from poverty either better utilise state transfers and means-tested benefits, or alternatively, are better equipped to leverage non-income measures to help lift themselves out of poverty. Meanwhile, households in the persistent poverty

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7 BHPS defines Low-Income as being in poorest fifth of all households in the period experiencing low-income.
category are either less able to access state transfers and benefits, or, the more likely scenario, have relatively less access to alternative forms of social security. Overall, improving poverty measures to better understand how non-income factors differ between poor households can greatly improve policy instruments and targeting of benefits.

Irrespective of factors that produce differences between poor households, it is clear that there is a continuous segment of the population in the UK that experiences persistently low income. Prolonged exposure to household poverty can produce severe deprivation and may have significant adverse effects on the long-term outcomes of children, particularly those exposed to deprivation in early childhood (Duncan and Magnuson, 2011). This underscores the diversity of experiences amongst poor households, and the need to understand where in the distribution do transitioning households start, and where do they end up (Hill and Jenkins, 2001). Such information may aid policymakers in assessing effectiveness of current policies. If households transitioning out of poverty are those closest to the threshold and transition to only just above the poverty line, then current measures are not susta

Persistent poverty matters for children

The difference between short-term and persistent poverty has particular relevance for the design and success of child poverty reduction strategies. Children’s experiences of poverty vary according to family structures and the duration of their household’s exposure to poverty.

Empirical evidence suggests that household income is not evenly allocated between all household members. Spending allocations for children are typically around 40 per cent of expenditures for adults\(^8\) (Bradbury et al., 2001). This finding complements earlier research on family expenditures by the Joseph Rowntree foundation that found some low-income families maintained expenditures for children in proportion to (per-child) expenditures of non-poor households (Middleton, 1997). This suggests that some low-income families are more capable (or more willing) to make sacrifices on adult expenditures in order to prioritise children’s needs.

The ability to cushion children from material deprivation may be the result of two factors. First, households may have a degree of financial flexibility arising from alternative income sources. A family may experience a brief period of income-poverty resulting from a shock, such as the loss of a parent’s job. In such cases, families may have savings, or other financial reserves, that can be employed to finance children’s needs. A second explanation for disproportionately higher children’s expenditures may be the family structure itself. Lone-parent households headed by women and men may approach budget allocations differently. Welfare and development economics have repeatedly shown that women are more likely to sacrifice individual expenditures for their children’s welfare than men (Middleton et al., 1997; Bradbury et al., 2001; Duflo, 2012).

Understanding that some households are better able to protect children from deprivation does not imply childhood poverty and deprivation is overestimated, rather the opposite. There is a need to adopt more penetrative measures that look beneath the surface of household incomes. Policymakers must analyse the wider resource categories that affect consumption capacities of families. The evidence outlined herein justifies the

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\(^8\) This statistic is an average, and will vary according to the age of children (Gordon, et al., 2000).
need for a broader approach and a central measure of multidimensional poverty that captures “actual consumption of goods and services by children” (Corak, 2005). The next section explores progress to date off UK consultations on creating a multidimensional child poverty measure.

**Progress towards multidimensional measurement**

For policy purposes, there are several generally accepted criteria for what constitute strong social policy indicators. The following are the most commonly cited principles taken from Brady’s (2003) analysis of social policy indicators in the US and from Atkinson, et al., (2002) evaluation of EU indicators.

- Indicators are balanced across all relevant dimensions
- Mutually consistent, with individual indicators weighted proportionately
- The portfolio as a whole, should be transparent and accessible to citizens

Atkinson et al. (2002) go on to further define principles for developing a strong ‘portfolio of indicators’ (p.190) as below:

Strong indicators should be:

- Statistically robust and valid
- Able to clearly identify poverty and exclusion, relative to normatively held views on adequate living standards
- Able to capture historical variation, subject to regular revision
- Incorporating depth and persistence of deprivation and inequality

**Current progress with the material deprivation target**

Recent scholarship on poverty and UK child poverty targets has increased the demand for policymakers to supplement, and potentially replace, income-based measures with a comprehensive multidimensional measure. Current efforts have led to the inclusion of a low-income and material deprivation target. However, income is still the primary metric used in policy discussions. Scholars remain divided over the feasibility of identifying deprivation indicators that are adequate to serve as primary child poverty measures (DWP, 2003). Deprivation measures must also be statistically valid and meet the requirements for aggregating and weighting indicators (Brandolini, 2008).

In the UK, material deprivation is measured using 21 questions from the Family Resources Survey (FRS). Ten of the questions relate to children’s experience of poverty⁹. The questions span a range of goods and activities deemed to be ‘basic necessities’ for social functioning, such as being able to celebrate a birthday, having a safe

⁹ Children’s questions listed in Appendix Table 1A.
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place to play, and holidaying away from home for one week a year. The survey is used to develop a prevalence-weighted deprivation measure. In 2010, the most prevalent indicator of deprivation was the ability to celebrate birthdays, Christmas or other festivals, with approximately 95.3 per cent of all respondents being able to afford this. Subsequently all families unable to afford this are given a deprivation score of 0.953; then, summing individual deprivations, a family’s total deprivation score is scaled up to 100. Families with aggregate deprivation scores above 25 are classified as materially deprived (Cribb et al., 2012).

Statistical validity

The Department for Work and Pensions commissioned a review of child material deprivation indicators and response data from the FRS survey, used to identify indicators (McKay, 2011). To construct the prevalence weighting, the FRS asked respondents whether they lack a specific item because they are unable to afford it, or for other reasons. For the 21 questions asked, low-income was never cited by a majority as the reason for lacking a basic necessity.

This points to two possibilities. First, respondents may be unwilling to state that they are unable to afford an item. Thus, FRS data may conflate enforced deprivation with family preferences. Surveys are imperfect and response bias occurs for various reasons. For example, sociological factors may inhibit respondents from admitting they cannot afford an item (Social, 2012). Second, income may not be the primary driver of deprivation. FRS results suggest ‘other reasons’ far outnumber income in explaining deprivation. In addition to recognising the challenges of accurately measuring income, McKay’s work is part of a growing body of evidence that poverty is better measured through deprivation indicators that emphasise the multidimensional nature of poverty.

The primary policy barrier to eliminating income measures remains the difficulty of establishing support for the reliability of deprivation indicators. The study by McKay (2003) tested the reliability (consistency) of the current UK child material deprivation indicators, and produced a Cronbach’s alpha\(^\text{10}\) of 0.908. Values above 0.70 are accepted as highly reliable scales (Bland and Altman, 1997) and this result indicates that the UK is well equipped to adopt a deprivation-focused child poverty strategy using existing deprivation indicators.

Democratic and consensus-built indicators

Constructing a basket of goods that are widely accepted by society as ‘basic necessities’ assumes implicitly, that there is a clear ranking or preference ordering of such goods. This belief is not empirically supported and “formal statistical measures of agreement suggest that levels of agreement (consensus) are relatively weak” (McKay, 2004, p. 203). This lack of empirical support is attributed to variations in what goods are seen as necessities across different social classes and age structures of children and families (Gordon et al., 2000).

In the UK context, regional variations are significant, and as such, financial pressures for families differ in accordance with social and practical considerations of the localities in which they reside. For example, urban households have substantially higher housing expenditures than rural or suburban households. Housing costs in the UK have emerged as a political hot-button issue, and a widely cited cause of poverty (McKay, 2004). There

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\(^{10}\) Cronbach’s alpha assesses consistency and reliability of scales. Further guidance: Bland and Altman, 1997; Santos 1999. Alternative techniques (Factor Analysis and Statistical Equation Modeling) are beyond the scope of this paper. Further guidance: Brandolini, 2008; Walker et al., 2008).
are several empirical studies that note strong correlations between families in social or rented housing and persistent poverty (Barton et al., 2013). This may seem intuitive, but it nonetheless reflects the need for differentiating between typologies of poverty in the UK and tailoring targeted benefits according to type. This level of differentiation is not readily apparent in the current combined material deprivation and income measure.

**Overly-frequent adjustment of weighting**

The FRS allows for the prevalence weighting of indicators to be updated annually. Overly frequent updating, however, can produce “sharp discontinuities in the measure across time” (Cribb et al., 2012, p. 7) making trends harder to establish. On the other hand, frequent updating ensures the measure captures poverty levels relative to social standards. Establishing procedures requires agreeing on the frequency with which to update indicators (Dolan et al., 2011). Alternative weightings may also be considered. Ruud Muffels (1993) proposed a weighting methodology that combines prevalence of a good with the number of people who identify the good as a necessity. Such an approach may improve upon simple prevalence weighting.

A further question remains of how material deprivation and low-income indicators can best be combined. They are presently given equal weighting in the UK. To determine the appropriate aggregation strategy, policymakers must first establish what each component captures. Income and deprivation identify different aspects and subgroups of poverty. Deprivation identifies social exclusion, while income may clarify whether social exclusion results from low or inadequate resources or other factors altogether (Hick, 2012).

Even with well-identified deprivation indicators, UK child poverty policy is heavily constrained by the inability of current targets to identify populations most at risk of persistent or recurrent poverty (see Figure 4). Persistent poverty is currently measured separately from income and material deprivation, highlighting two policy-relevant problems. First, there is a growing body of evidence that long-term poverty is a leading cause of deprivation in childhood (Duncan and Gunn, 2000). Second, multidimensional poverty measurements are better able to decompose populations of poor households along different dimensions (Alkire and Foster, 2011).

**Evaluating UK child material deprivation**

In moving towards multidimensional measurement, the inclusion of a joint low-income and material deprivation policy target is a significant improvement on headline income-based targets. However, there are considerable limitations, particularly in relation to the transparency of the measure itself. Using a prevalence weighted deprivation score with a relative income poverty line may be difficult to justify. Under this framework, the UK gives equal weight to relative income poverty and material deprivation. To continue doing so, policymakers should establish the theoretical and empirical support for this weighting. In light of the FRS findings, income may not be the main driver of enforced deprivation; in this case, there may be grounds for more heavily weighting deprivation relative to income poverty.

The application of deprivation indicators to policy purposes requires an effort to ensure that measures are transparent, readily understood by policymakers and garner ‘credibility with the public’ (Calandrino, 2003, p. 4). The use of multiple concurrent goals and targets set by the UK government produces confusion and makes establishing overall trends difficult. Overall, the current material deprivation and low-income measure remains subordinated by the less useful income targets (Atkinson et al., 2002). Moving towards a comprehensive
multidimensional target will enable policymakers and the public to directly measure the impact of child poverty reduction policies.

**Alternative Methodologies**

The following section explores two empirical examples of multidimensional metrics used in developed countries: the Irish ‘Consistent Poverty’ metric and the more recent European measure of poverty and social exclusion.

**Ireland: Consistent Poverty**

The ‘Consistent Poverty’ measure adopted by Ireland is an example of a nationally comprehensive and integrated multidimensional strategy for poverty reduction. The Economic and Social Research Institute (ESRI) developed the measure as part of Ireland’s national poverty reduction strategy. Consistent Poverty combines relative low-income with persistent deprivation. Unlike the UK, where relative and absolute income measures are the primary headline targets, the Irish Consistent Poverty measure looks at a singular measure of income and deprivation to gauge policy progress and success (DWP, 2011).

As part of the national anti-poverty campaign in Ireland, data is collected for 11 items and activities comprising the basic deprivation index from the annual Survey on Income and Living Conditions (SILC). Deprivation is defined as experiencing an enforced derivation of two or more of 11 indicators (see Appendix Table 2A for Irish indicators) (Whelan and Maitre, 2009). Deprivation is overlaid with a relative income poverty measure (set at 60 per cent of median income), with the overlap identifying Consistent Poverty for households experiencing both relative income poverty and deprivation of a minimum of two indicators.

Like the UK measure, deprivation indicators selected from family survey data have limitations in reliability and statistical validity. However, compared to the UK material deprivation measure, the Irish approach relies on counting rather than prevalence weighted deprivation scores. The Consistent Poverty measure simply identifies households experiencing multiple forms of poverty, illustrated by the overlapping region in Figure 5 below. This is a transparent and easier to understand measure of poverty. In theory, there may not be considerable differences between either measure’s ability to identify poor and deprived households, but the Irish measure is easier to calculate and thus, better understood. The Consistent Poverty measure identifies households experiencing the severest poverty in Irish society, and thus those in need of more urgent policy attention.
Some scholars have criticised the Irish measure for reducing the policy target and discounting a sub-section of the population. This is an appropriate concern, but as the primary aim of the measure is identifying households experiencing the worst forms of poverty, it may not be an appropriate critique. The study by Middleton et al (1997) suggests that children are more likely to experience actual material deprivation when they reside in households that have been exposed to long-term income-poverty. An additional justification for focusing primarily on the overlapping region is that it allows policymakers to exclude households that claim deprivation on the survey whilst reporting relatively high levels of income. These are households where the lack of an assumed ‘necessity’ may reflect family preferences, not poverty. At the other end of the scale, are households reporting low income without deprivation. This is inevitable given the difficulty of perfectly relating income and deprivation (Whelan, 2007).

Ireland’s Consistent Poverty measure has been endorsed by the OECD and adopted as part of the European Commission’s approach to measuring poverty and social exclusion. Using distributional coverage (the overlapping region) to identify consistent poverty ensures the measure is accessible and transparent. These characteristics are essential to creating robust measures that are easily understood and can aid policy effectiveness. Transparency ensures measurement is less susceptible to manipulation, allowing for greater credibility in reported results (Calandrino, 2003). The Consistent Poverty measure is a considerable improvement over measures that look only at income-based poverty, as it captures the results of longer-term income poverty. Depth and duration of poverty are important for the quality of a measure tracking policy outcomes.

Ireland offers a strong case for revisiting the UK’s child poverty measure to focus on multidimensional poverty. Ireland and the UK also have comparable levels of internal inequality. Measures capturing both low income and deprivation may better predict policy success on social exclusion. However, there is still scope to improve the construction and application of deprivation indicators used by both countries. The next section explores the adaptation of the Irish measure by the European Commission in designing their 2020 poverty reduction target.
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European Union: poverty and social exclusion

In 2010, the European Commission set a “high-level poverty reduction target for the Union for 2020” (Nolan and Whelan, 2011, p. 43). The European target aims to reduce the total population experiencing poverty and social exclusion by one sixth (~20 million people). The measure defines those who are “at risk of poverty and/or materially deprived and/or living in jobless households” (Marlir and Natali, 2010, p. 21). Deprivation is measured across monetary and non-monetary indicators, including, amongst others, health, housing and financial stress (Muffels and Fourage, 2002).

Under the European Commission framework, populations ‘at-risk-of-poverty’ are defined as relative income poor (having less than 60 per cent of median national income), and material deprivation is defined as a lack of three out nine indicators (Nolan and Whelan, 2011, p. 51). The third indicator, ‘joblessness’ is defined as households with low-work intensity, measured as the ratio of time worked relative to total potential workable time. Households working less than 20 per cent of their potential labour hours are classified as having low-work intensity (Nolan and Whelan, 2011). At present, this indicator is largely experimental with limited empirical support. However, it may begin to identify poverty driven by labour market exclusion, a potentially significant factor in measuring persistent poverty (Whelan and Maitre, 2008).

Notably, the European deprivation threshold of three is higher than the Irish threshold of two, but the European approach is additive (Figure 6 below), identifying the aggregate population ‘at risk of poverty and exclusion’ (i.e. population that are at-risk-of-income-poverty, or materially deprived or low work intensity). The Irish measure in contrast, targets only those experiencing multiple types of poverty (relative low-income and material deprivation). The European framework weights each indicator equally, a more appropriate method given the lack of a clear consensus on the relationship between income and deprivation (Foster, 2007).

EU Progress indicators are developed by a technical indicators sub-group, tasked with collecting indicators that “command general support as a balanced representation of Europe’s social concerns […] focus[ing] on social outcomes rather than the means by which they are achieved” (Nolan and Whelan, 2011, p.43).

Figure 6. European poverty and social inclusion indicators

![Venn Diagram of poverty indicators](source: Poverty in Ireland, 2012.)

Determining the Irish target population for EU poverty target

As mentioned above, the EU add all three measures together to determine the total population at-risk-of-poverty and social exclusion. Taking a similar approach to determine the total Irish population means adding those at-risk-of-poverty only (8.6 per cent), those deprived only (11.8 per cent) and the overlap between at-risk-of-poverty and materially deprived (i.e. consistent poverty, 5.5 per cent). Both the totals of the national and the EU indicators are similar at about 26 per cent. It is likely, however, that the composition of the population under the two indicator sets is quite different. Research on this issue is underway.

Key questions in defining and measuring poverty:

- Do the two national indicators of at-risk-of-poverty and material deprivation adequately capture poverty or should other indicators, such as the EU indicator of low work intensity, be used?
- Terms of the total number of items (11 vs 9), the actual items (only two items overlap), and the threshold for being considered deprived (Ireland is two or more, EU is four or more).
The addition of the third (experimental) work-intensity indicator is an important inclusion and offers insight into alternative, non-income based causes of poverty. It is highly likely that households experiencing short-term income shocks through temporary loss of employment will be distinguishable from households that are persistently poor and likely to be long-term unemployed. This captures a dimension of poverty related to work and the exclusion of groups from employment, including those with long-term illnesses or disabilities (Social, 2012).

The notion of labour market exclusion that is partly captured by the low-work intensity indicator may prove particularly relevant for understanding the depths and persistence of poverty in the UK. In a comparative European study, Whelan and Maitre (2008) found inequality and poverty in the UK were distinctly affected by the particularly strong impact of unemployment. This feature led to the UK being ranked below all other countries in the study for consistent poverty measures of unemployed. This reinforces the preceding discussion on the dearth of effective policies that target and assist the 18 per cent of the population identified as ‘persistently poor’ (Figure 4).

Lessons for the UK

Ireland’s Consistent Poverty and the European Commission’s poverty and exclusion targets are examples of comprehensive poverty reduction strategies emphasising multidimensional poverty, particularly deprivation, as central to the measure of policy outcomes. In addition to reliable and statistically valid identification, the approaches are transparent and relatively easy to understand. The UK already has infrastructure in place for measuring and compiling deprivation data. By overhauling the four separate policy targets currently used for child poverty in the UK, a comprehensive national strategy would promote a better understanding of the drivers of child poverty, and improve policymakers’ ability to target and tailor child-welfare benefits in a manner that is both responsive to local needs and works efficiently towards eliminating child poverty.

The low-income and material deprivation targets already in place are comparable to the Irish Consistent Poverty measures. However, further work is required to evaluate the sensitivity of the minimum deprivation threshold. The Irish approach of counting the number of deprivations, not weighting them, may not fundamentally alter the level of poverty measured. However, the overlap of income and deprivation may be easier to document and use for monitoring policy progress. Further research may be needed to compare benefits between the Irish and European deprivation thresholds.

Similarly, further scholarship is also needed in evaluating the low-work intensity indicator used by the European Commission. UK policy, to date, emphasises work as the primary path out of poverty. Incorporating a low-work intensity measure in the national poverty strategy may improve measurement of current work-related policies.

Furthermore, the adoption of a more comprehensive national strategy that eliminates income-only headline measures will allow policymakers to invest greater resources into the decomposition of multidimensional measures. An advantage of replacing income measures with multidimensional measurement is, from a policy perspective, the ability to decompose the measure of poor households along different dimensions and population subgroups (Foster, 2007). Decomposability along dimensional lines will improve the weighting process of different deprivations by illustrating which of the measured dimensions have the most influence on poverty. Similarly, decomposability by population improves the ability of policymakers to track poverty variations by regions and sub-national categories, ensuring that policy responses are locally appropriate.
The evidence shows, rather overwhelmingly, that there is no perfect methodology that distils the lived-experiences of poverty into a set of policy ready indictors. Working to improve the selection and aggregation of deprivation indicators will be an iterative process, and incorporating lessons learnt by more successful European neighbours is part of that process.

CONCLUSION AND RECOMMENDATIONS

This paper recommends that the UK should adopt a single, comprehensive child poverty target comparable to the strategies of Ireland and the EU. The recommendation is for a single, transparent multidimensional measure to replace, not complement the four disaggregated targets in place. A comprehensive and easier to understand measure will improve policymakers’ ability to appropriately target populations that experience persistent or recurrent poverty. To build upon the current low-income and material deprivation target, the UK should consider including a low-work intensity indicator, comparable to the EU measure.

To draw on other aspects of multidimensional poverty measurement, the UK can supplement core national indicators with locally responsive measures developed by the governments of England, Wales, Scotland and Northern Ireland. At the regional level, supplemental indicators can be tailored to address local needs with regards to equality of access to specific factors such as housing, education and healthcare.

Good measurement is the first step towards incentivising effective policymaking that goes beyond manipulating income distributions and instead addressing deeper causes of deprivation in order to lift families and children out of poverty. Building a lasting measure will be critical for generating long-term solutions that outlast the tenure of political office, whilst also contributing towards the construction of responsive child welfare solutions.

Progress on social welfare and social protection goals continue to remain prominent political and social issues. Measurement transparency improves accountability with respect to progress towards eliminating child poverty in the UK. However, further study is still needed to understand the relationship between deprivation, low-income, and social exclusion.

Looking at efforts by Ireland and the European Commission can guide the UK towards improving the reliability and validity of indicators being used to currently measure deprivation. Successful social policy requires a widespread recognition by policymakers that reliance on pure-income measures to track headline poverty measurement is insufficient and unreliable. Short-term fluctuations in national income artificially boost or deflate progress, showing false trends. By eliminating out-dated income metrics, policymakers can incentivise politicians to identify sustainable long-term solutions and policies that effectively raise living standards.
REFERENCES


APPENDIX

Table 1a: UK Child material deprivation indicators

- Celebrations on birthdays, Christmas or other religious festivals
- Go on School Trips
- Enough bedrooms so no child over 10 has to share with siblings of opposite sex
- Leisure equipment such as sports equipment or a bicycle
- Safe outdoor space or play facilities nearby
- Child has a hobby or leisure activity
- Friends around for tea or a snack once a fortnight
- Toddler group/nursery/playgroup at least once a week
- A family holiday away from home for at least one week a year
- Swimming at least once a month

Source: McKay 2011.

Table 2a: Ireland Consistent Poverty Indicators

- Unable to afford two pairs of strong shoes
- Unable to afford a warm waterproof overcoat
- Unable to afford new (not second-hand) clothes
- Unable to afford a meal with meat, chicken or fish (vegetarian equivalent) every second day
- Unable to afford a roast joint or its equivalent once a week
- Without heating at some stage in the last year through lack of money
- Unable to afford to keep the home adequately warm
- Unable to afford to buy presents for family or friends at least once a year
- Unable to afford to replace any worn out furniture
- Unable to afford to have family or friends for a drink or meal once a month
- Unable to afford a morning, afternoon or evening out in the last fortnight for entertainment

Source: CSO 2013.