

Poor lore

New caps on family benefits come into force this month - with protestors saying they will lead to a rise in already high levels of child poverty. Paul Ashton examines the issue

Poverty in the UK, as in most European and other first-world countries, is very different from poverty in the poorest nations of Africa and Asia. In the latter, poverty is more about survival – getting enough clean water to drink and enough food to eat, as well as finding protection from the elements. Sometimes this is put into monetary terms of living on ‘a dollar a day’ or, more frequently now, ‘two dollars a day’. In richer countries, poverty is defined as a ‘relative’ concept; it refers to a standard which is defined in terms of the society in which an individual lives.

Typically, the definition of relative poverty is applied to people in households with incomes below a set proportion of a country’s median average income. The most widely-used figure below which poverty is usually defined is 60 per cent of median household income, adjusted for household size, and is given for ‘before housing costs’ (BHC) and ‘after housing costs’ (AHC). The adjustment for household size is made to take account of the different spending needs of single people, couples, and of families with and without children. Child poverty, then, is currently defined in terms of the income of the household in which children live. In most cases this will be the net income of the parent(s), including any state benefits. It could be argued therefore, that ‘child poverty’ is a misnomer since what is being defined is actually ‘family poverty’.

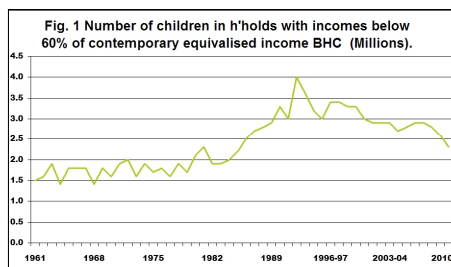
According to government statistics, there were 2.3 million children in the UK living in households that were in income-poverty in 2010 on the BHC basis, or 3.6 million under the AHC measure. The latter figure constitutes some 27 per cent of all children in this country. The Children’s Society’s chief executive, Matthew Reed, recently commented: “It is unacceptable that so many children are still living in poverty in modern-day Britain, denied basic necessities like regular food, decent clothing or a warm home.”

A disgraceful state of affairs? It would be if these figures were a true representation of child poverty. But are they? I shall argue here that

though the existence of child poverty in the UK today is not a myth, the official estimates of its extent can be likened to one.

We’ll start with historical context. If, in 2008/09, 2.8 million children in the UK were living in poverty, what might you expect the number to have been 40 years earlier, back in 1968? Perhaps double, or 75 per cent more? Or perhaps no different at all? The answer is that the figure was, apparently, not more in 1968, but less. Very much less; in fact half the number in 2008. Is that really believable – twice as many children in poverty than 40 years earlier?

What Figure 1, below shows is precisely that. It shows too, that under the official definition, the number of children classed as being in poverty almost doubled between 1983 and 1993. Again, is this really conceivable? Did we blink and miss some catastrophic event? Or is there, perhaps, something wrong with the way ‘poverty’ is defined?



Sources: IFS, HBAI 2010/11

Before the ‘rediscovery’ of poverty by Prof Peter Townsend in the 1960s, poverty had been measured in terms of an income below the state-support levels – then the Beveridge-designed National Assistance rates, the forerunner of the present mix of the Income Support, JSA and Tax Credits systems. Everyone in receipt of National Assistance was deemed to have been lifted out of poverty, since the rates were regarded as sufficient to obtain the necessities, and a bit on top. Most households counted as being in poverty were those who received a lower income than the state’s safety-net from work, or were those not

claiming or getting their benefit entitlement. Townsend, together with Brian Abel-Smith, put forward a case for redefining the poverty line to one that was 40 per cent higher than the standard state benefit rates. There was no scientific, or rational, explanation for choosing this figure other than the fact that the researchers had discovered that ‘some’ claimants were receiving up to this amount either from extra allowances or disregarded income. The 140 per cent of benefit rates quickly became the new poverty line, at least amongst the ‘poverty lobby’ – a mix of social policy academics, socialists and pressure groups. As a result, whenever the extent of poverty was discussed by them, the poverty numbers were swelled by the inclusion of almost all the unemployed and those in receipt of National Assistance, later Supplementary Benefit (Townsend later became one of the founders of the Child Poverty Action Group, CPAG).

This new poverty line came under a lot of criticism, however, by governments and some other academics. Comparisons were made between the level of income this yardstick represented and the level of pay from working. It soon became obvious that even families with incomes near the national average could be counted among those in poverty. Eventually, this definition was largely either discredited or ignored. As the Left-leaning journal, *New Society*, put it in 1986: “On this definition... a home-owning couple with two children on £10,250 a year can be said to be in poverty. The objections to such a definition are overwhelming. It fails in logic, because it implies that every time benefits go up, so do the numbers of the poor. Norman Fowler, if he wished to abolish poverty in the CPAG sense, need only halve supplementary benefit. It fails as propaganda, since it runs counter to casual observation and common sense. And it fails as a political tactic since the mass of the non-poor, prepared though they may be to contribute to the alleviation of objective hardship, are quite unprepared to transfer their hard-earned cash to people who they regard as little poorer than themselves.



Picture source: Birmingham Libraries and Archives

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The hard task of fighting poverty is not served by the setting of what any good Trotskyist would recognize as impossible goals.”

Following all the criticisms of the Townsend poverty yardstick, alternative measures were sought to try to bring more credibility to the case for increasing the incomes of the poor. Academics came up with ‘budget lines’, and ‘society-approved’ or ‘popular consensus’ poverty thresholds. Some of these measures seemed designed more to shore up the discredited 140 per cent of SB poverty lines with fancy mathematical modelling than to shed more light on the nature

and extent of poverty. Some were criticised as being measures of deprivation, rather than poverty, while some others were more localised and largely ignored as irrelevant to the national picture. Later, the European Commission (EC) came to the rescue with its now widely-used poverty threshold of 60 per cent of the median household income, adjusted to take account of variations in household size and composition. Although most often written and spoken of as a poverty line, in fact it was not intended as such. The EC definition was actually devised as a measure of an income below which puts the

household ‘at risk of poverty’, and not in poverty itself.

Notwithstanding that the EC measure is not directly of poverty, and that it is widely used, it too has been criticised as an indicator of poverty, let alone ‘at risk of’. This is because of what the definition means in practice, i.e. it is a measure of inequality of incomes rather than of poverty.

So what is child poverty?

If one is looking for a monetary level to describe relative child poverty, rather than simply the oft-quoted percentage of this or that yardstick, one needs to carry out a number of calculations before comparisons can be made between the level of household income of a family judged to be in poverty and that of a comparable family’s income in and out of work.

The national average household income statistics are given in the DWP’s publication ‘Households Below Average Incomes’ (HBAI). In the latest edition relating to 2010-11, the median average equivalised household income for the whole country is given as £419 per week before housing costs and £359 per week after. So, 60 per cent of this is £251 and £215, respectively. These figures, because they are equivalised, relate to a childless couple household, so further calculations are necessary to relate them to other household types – in particular to those with dependent children. The table below left shows the at-risk-of poverty thresholds for various household types, i.e. households with a net income below these levels are deemed to be in, or at risk of, poverty.

It is quite obvious from these figures that unemployed households would be deemed to be in poverty if their only income is welfare benefits, since the level of unemployment and other benefits is much lower than these amounts. Yet people in work on modest and reasonable earnings too could be counted as in poverty under the 60 per cent of median income yardstick. For example, a couple with two children with one partner as the breadwinner on a salary of £27,000 a year (just above median average earnings in 2010/11) and the other as a homemaker could have been classified as living in poverty, once account is taken of all taxes, benefits and housing costs. This suggests that the European measure of poverty is, at the very least, questionable.

In fact, there is no good reason for the European Commission choosing a level of income of 60 per cent of net equivalised household income. Why not 50 per cent or 70 per cent? The percentage decided upon, like Townsend’s 140 per cent level of SB, was arbitrarily chosen.

Fig. 2	Poverty	Thresholds	2010/11	£pw	
			60% of Net House Income		
	Household		BHC	AHC	
	Single		£168	£125	
	Single +2 children		£301	£258	
	Couple		£251	£215	
	Couple +2 children		£384	£349	

Prof Donald Hirsch makes the point: “Most people accept that poverty has a relative element – that a basic living standard acceptable in Dickens’ time may be unacceptable today. But the decision to draw the line at 60 per cent is arbitrary. So when a progressive government redistributes income to bring families above this abstract poverty line, there are always those who challenge whether being in relative poverty really constitutes a hardship”.

The EC’s poverty line is not only an arbitrary chosen one, as Hirsch confirms, but it is merely a measure of the unequal distribution of incomes. Proof of which is demonstrated by the drop in the ‘poverty’ rate in 2010/11. The main reason for its fall was simply because the incomes of higher income households fell over the year by a larger percentage than lower income households. The

real (after inflation) incomes of the poorest actually fell, yet so too did the numbers counted as being in poverty.

The preceding sections have looked at how poverty is, and has been, defined. The only agreement seems to be that primarily

poverty is about a low income. But is the level of state support to unemployed and low-paid families with children at such a low level that it constitutes poverty? And why, anyway, are children living in poverty?

Certainly, the general perception of the public about the causes of child poverty seems to be predominantly one of neglect by the children’s parents, as seen in a recent British Social Attitudes survey – see illustration above.

Of course, what ‘most people’ believe to be the main reasons for children being in poverty may be wrong. But in any event campaigners insist that the level of financial support given to those with the lowest incomes, the unemployed and non-employed families, is insufficient to provide anything other than a very basic existence – and perhaps not even that.

Is that really the case; do we, as a society, provide an insufficient financial safety net for our children; are they “denied basic necessities like regular food, decent clothing or a warm home” as the Children’s Society insists? The evidence does not actually seem to support that notion.

Welfare benefits to those with children in or out of work are today very much higher in real terms than they were even just a few years ago. For example, we now give an unemployed

childless couple £111.45 a week plus housing costs. A similar couple with two children gets £258.83 and housing costs; i.e. more is given to support the children (£147.38) than for the needs of the adults themselves. Even in work, a single-earner couple with two children on £18,000 a year gets around £145 per week in child benefit and child tax credit.

Where children may well be at real risk of poverty is more likely to be in those households where they are not getting the full advantage of these child benefit/tax credit payments made to the parents. This may be where one or both parents have addiction problems or because of excessive expenditure on inessentials, but often too it is where parents have loans they have taken out which they cannot afford to pay back without ‘borrowing’ the children’s child benefit and tax

credits. Often these loans were taken out for non-essentials when the family was in work and could afford the repayments, but insufficient thought was given to the possible longer term problems of buying on credit of never being sure if or when their job might come to an end.

It is these issues of ensuring that those state benefits paid for children are actually spent on them, and that they are not instead absorbed into general household outgoings unconnected or only loosely connected with the child’s welfare, that charities and governments should now be addressing, instead of sidestepping.

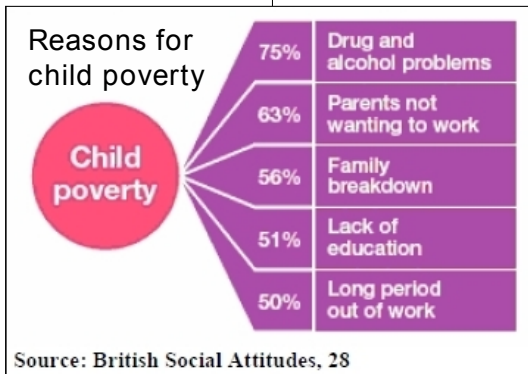
Given the level of financial support the state provides for low-income families, it seems that we should perhaps be looking elsewhere for evidence of child poverty. The most likely candidates are poor housing, poor schooling and poor parenting.

About the author

Paul Ashton is a former economics researcher at the University of Liverpool and social researcher at the University of Greenwich. He has written about poverty and income distribution for various publications. Now retired, he is currently co-editor of Mensa’s regional newsletter for the south east region, SEMantics.

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Being unwanted, unloved, uncared for, forgotten by everybody, I think that is a much greater hunger, a much greater poverty than the person who has nothing to eat.
Mother Teresa



People from both political parties have long recognized that welfare without work creates negative incentives that lead to permanent poverty. It robs people of self-esteem.
Mitt Romney



We need to steer clear of this poverty of ambition, where people want to drive fancy cars and wear nice clothes and live in nice apartments but don’t want to work hard to accomplish these things. Everyone should try to realise their full potential.
Barack Obama

In a country well governed, poverty is something to be ashamed of. In a country badly governed, wealth is something to be ashamed of.
Confucius

It’s hard to do it because you gotta look people in the eye and tell ‘em they’re irresponsible and lazy. And who’s gonna wanna do that? Because that’s what poverty is, ladies and gentlemen. In this country, you can succeed if you get educated and work hard. Period. Period.
Bill O’Reilly

The poverty of our century is unlike that of any other. It is not, as poverty was before, the result of natural scarcity, but of a set of priorities imposed upon the rest of the world by the rich.
John Berger

Poverty is the worst form of violence.
Mahatma Gandhi

