

Appendix A: Child poverty in London

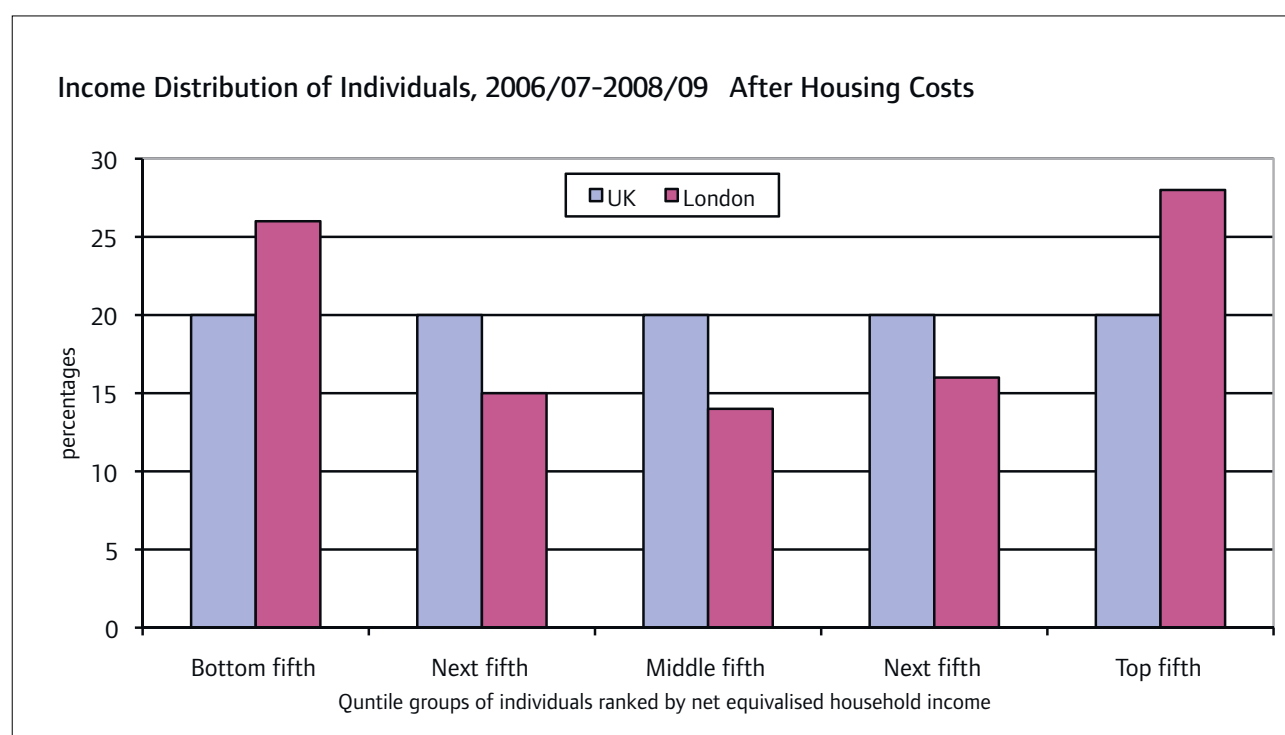
Appendix A: Child poverty in London

Children raised in disadvantaged environments are statistically less likely to succeed in school, in their future economic and social life and are much less likely to grow into healthy adults. This appendix looks at the issue of child poverty in London.

Income distribution in London

There is a significant link between income inequality and health inequality and London experiences significant income polarisation when compared to the rest of the UK.

Figure A.1: Income distribution of individuals in London, 2006/07 – 2008/09 after housing costs



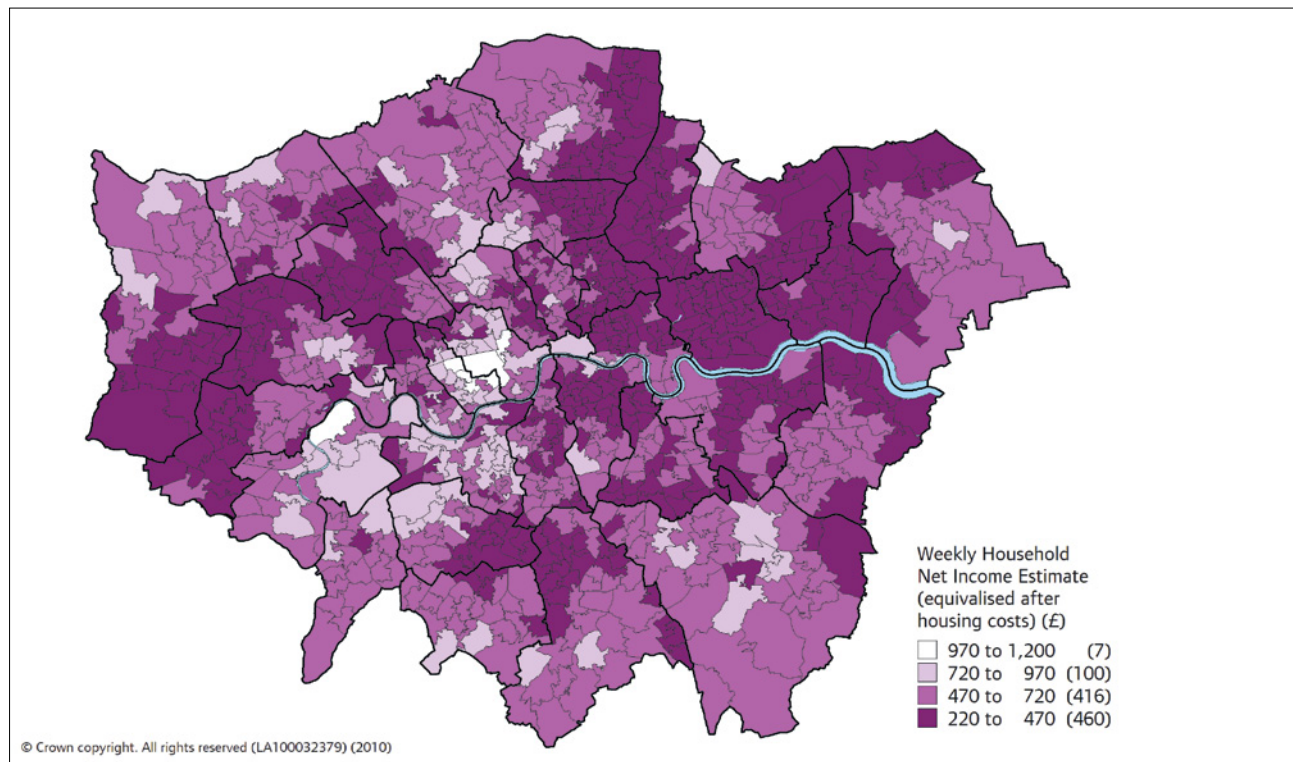
Source: DWP, *Households below Average Income* (UK figures are based on a single year, London figures are based on 3 year average)

Figure A.1 demonstrates that, after housing costs, 28 per cent of Londoners are ranked in the top quintile nationally, whilst 26 per cent are ranked in the bottom quintile. Much of London's population is skewed either towards the top or bottom of the UK's income distribution. Furthermore, this polarisation is even larger in inner London, with 29 per cent in the bottom quintile and 28 per cent in the top quintile after housing costs¹.

Figure A.2, below, demonstrates the spatial distribution of average income in London: households with the lowest net income tend to live in the north-east and west of the city, with the highest net incomes in central London.

1. DWP : *Households below average income 2008/09*.

Figure A.2: Map of average weekly household net income (equivalised and after housing costs) April 2007 – 2008



Source: Model-based income estimates at MSOA level, 2007/8, ONS

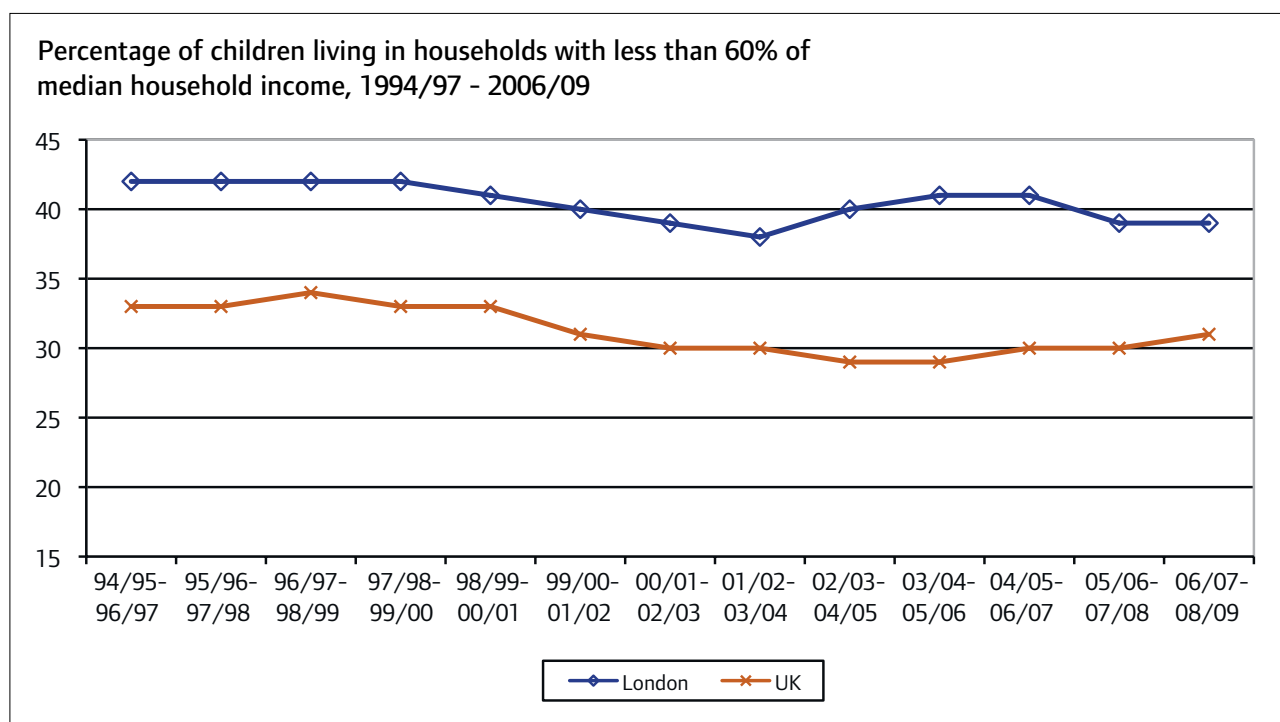
Due to a combination of factors including low pay, worklessness, and high housing costs, many Londoners find themselves living in poverty. This is a problem that is reflected by poorer health outcomes and other social issues that characterise many low-income areas of London.

Child poverty in London

Child poverty is a very significant issue in London, particularly in terms of intergenerational poverty, reducing children's life chances and its contribution to health inequalities. During 2006–2009, nearly two out of every five children (39 per cent) in London lived under the poverty line after accounting for housing costs. This compares to less than one in three (31 per cent) for the UK as a whole. Rates of child poverty are particularly high in inner London, where 44 per cent of all children live in poverty².

Furthermore, trend data over the last 12 years show that national improvements in child poverty rates have not in general been evident in London, where rates remain stubbornly high (see Figure A.3).

2. Poverty figures for London: 2008/09, GLA Intelligence Update, May 2010.

Figure A.3: Child poverty in London and the UK over time

Source: FRS 1994/95 – 2008/09

Over one-fifth (22 per cent) of all London's children live in workless households: that is households with no adults in work. London has the highest percentage of children living in workless households of all regions. Rates are exceptionally high in inner London where 29 per cent of all children live in workless households. While the rate is lower in outer London (18 per cent), it still remains well above the rate in the rest of the UK (16 per cent)³.

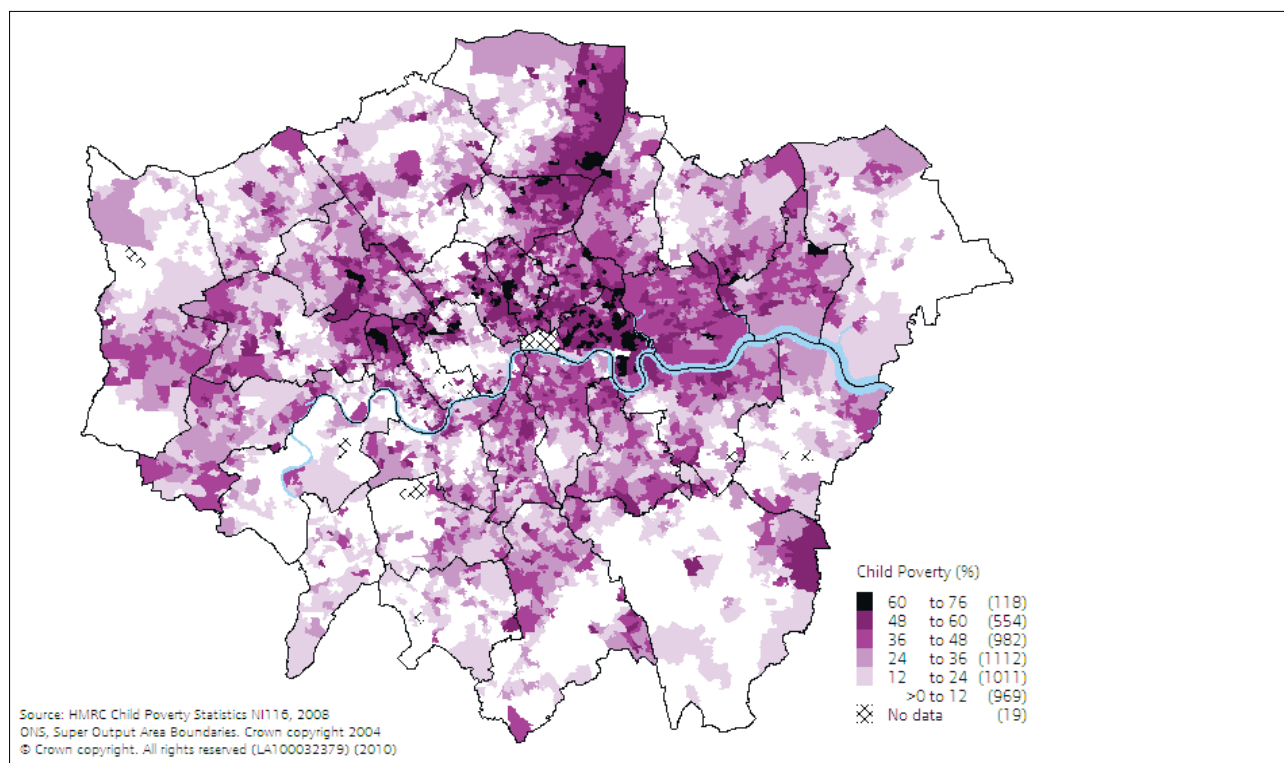
Therefore, child poverty in London is particularly high, with worklessness amongst parents a major contributing factor in many cases. However, it is not the case that all child poverty is due to parental worklessness. The New Policy Institute's, 'London's Poverty Profile'⁴ shows that the proportion of children in low-income households is higher in London than the rest of England for each category of family work status. The data shows that about ten per cent of children in 'all-working families' in inner and outer London are living in low-income households, compared to five per cent for the rest of England. For 'part-working' families, this rises to 40 per cent in London and for workless families the level is more than 70 per cent. So, while it is clear that worklessness is a key cause of child poverty, low pay amongst working parents is also significant for many children living in poverty.

Whether due to parental worklessness or low pay, it is clear that many children live in poverty in London and that they are concentrated geographically in particular areas. The map below shows the location of these areas – according to the National Indicator 116: The Number of Children in Poverty, published by HMRC⁵ – with a clear concentration towards the north and east of inner London.

3. *Worklessness in London*. GLA Intelligence Update, September 2010

4. MacInnes, T. and Kenway, P. 2009. "London's Poverty Profile". City Parochial Foundation and New Policy Institute. Accessible at: www.londonspovertyprofile.org.uk

5. HMRC National Indicator 116: *The Number of Children in Poverty*. Defined as the proportion of children in poverty in receipt of out of work benefits or tax credits, where their reported income is less than 60 per cent median income.

Figure A.4: Child Poverty, 2008, by Lower Super Output Area

Source: National Indicator 116: The Proportion of Children in Poverty, 2008, HMRC

Children who are living in poverty are more likely to be amongst the most vulnerable in society, some of which will also be children in care. Bebbington and Miles⁶ identified that five of the top six factors predating entry into care were either causes or consequences of poverty⁷. Analysis by Sefton⁸ supports these results and found that of the three per cent of families who had seen a social worker or welfare officer in the last year, around 40 per cent were in the bottom fifth of the income distribution scale, and only five per cent were in the top fifth. The costs of looking after children are significant, at around £150,000 per year for every child in residential care and £25,000 per year for foster care. Addressing some of the causes of child poverty could reduce the level of expenditure on these personal social services.

Educational attainment lessens the risk of poverty by improving employment opportunities and wage potential. However, birth cohort studies have observed that education often serves as a 'transmission mechanism' for disadvantage: childhood poverty is associated with lower educational attainment that, in turn, is associated with low income in adulthood⁹.

Figure A.5 illustrates this issue. It shows that educational attainment amongst children is strongly correlated to parental incomes. The size of the difference is larger when comparing pupil's GCSE results of high and low socio-economic status within the same ethnic group, than when comparing between ethnic groups.

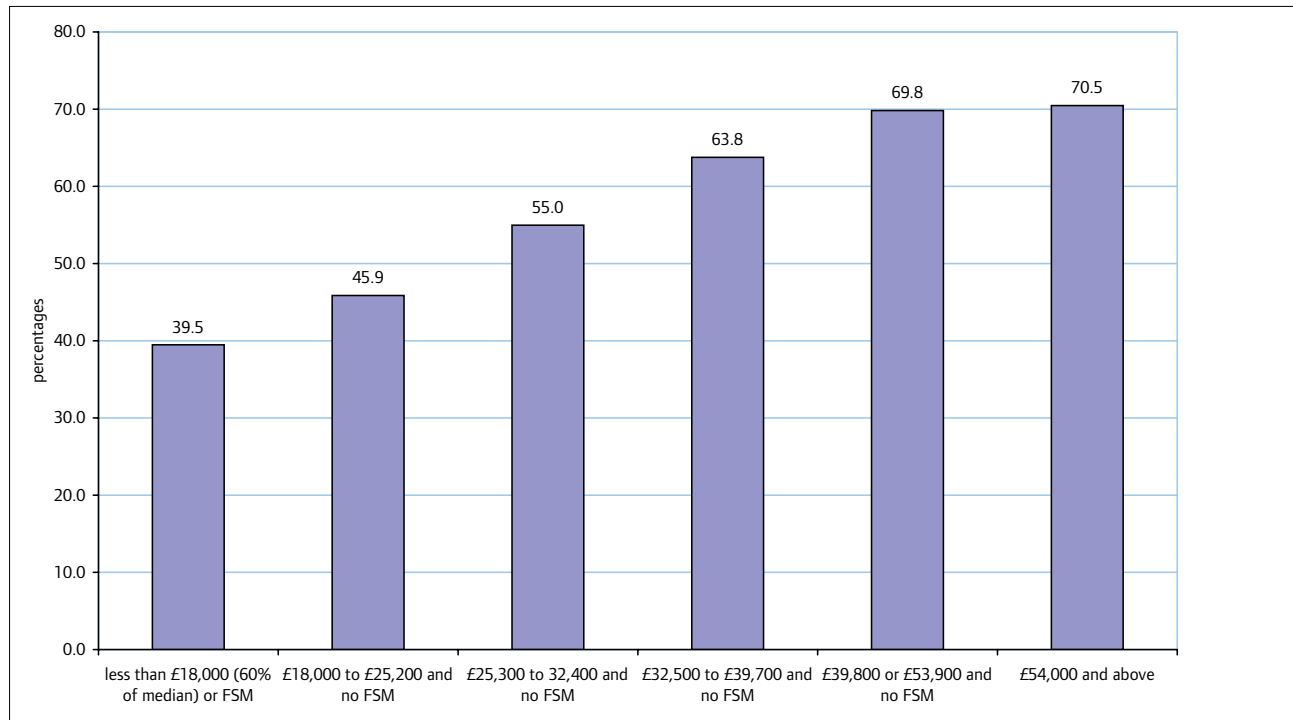
6. Bebbington, A. and Miles, J. 1989. 'The background of children who enter local authority care', *British Journal of Social Work*. 19:9

7. These factors are: living in a single-parent family; living in overcrowded accommodation; being in receipt of benefits; having a mother aged under 21; coming from a family of four or more; and residing in a deprived neighbourhood

8. Sefton, T. 2009. 'A Child's Portion: An analysis of public expenditure on children in the UK'. Centre for the Analysis of Social Exclusion, London School of Economics

9. Smith & Middleton (2007) – A review of Poverty Dynamics research in the UK

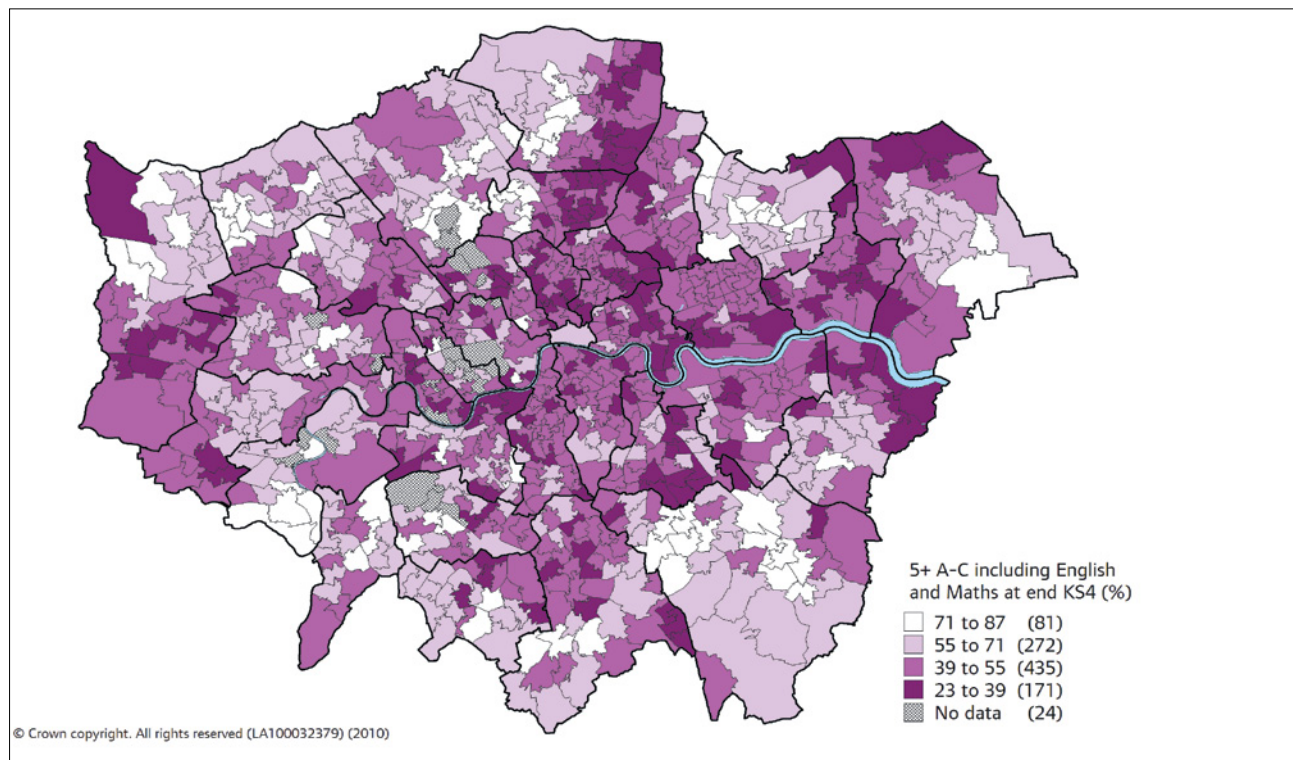
Figure A.5: Pupils (aged 15 in 2004) achieving five or more GCSE A*-C grades or equivalent by home income group and Free School Meals (FSM) entitlement



Source: DMAG using merged 2002 – 2005 LPD

Figure A.6 demonstrates that poor educational attainment is also concentrated in the north and north-east of the city with smaller pockets in west and south London.

Figure A.6: Spatial distribution of educational attainment in London (children gaining 5 A*-C grades at end of Key Stage 4 (KS4) %, 2009)



Source: DCSF, 2009

In addition to the economic costs of dealing with crime, poor health and other similar social problems, there is the additional economic impact created by the fact that, statistically speaking, children who grow up in poverty have low educational attainment. This means they are, as a consequence, more likely on average to be out of work or earning low wages as adults than those with a higher level of educational attainment. That 39 per cent of London's children are currently living in poverty is a major economic issue for the future. This suggests there are a large number of children in London at present that are likely in the future to struggle as adults to compete effectively for jobs in London's labour market.

Characteristics associated with young people 'not in education, employment, or training' (NEET) include poor educational attainment, persistent truancy, teenage pregnancy, use of drugs and alcohol, looked after children, disability, mental health issues and crime and anti social behaviour. There is a strong correlation between the percentage of young people NEET and the performance of the wider labour market. Those areas with the highest proportion of young people NEET also have relatively high unemployment and low employment and economic activity overall¹⁰. Young people in London are at particular risk in today's economy due to lower levels of recruitment and the fact that they will be competing with larger numbers of experienced workers for new vacancies.

Successful education of all children is vital for positive life chances of young and adult Londoners, as well as reducing future levels of poverty and promoting social mobility in London.

Leon Feinstein found that among the British Cohort Study of children born in 1970, gaps in child development by parental socioeconomic status emerged as early as 22 months. The gap appeared to increase slightly through 42 months and 60 months, and this also fed through to labour market performance age 26 years¹¹. He concluded that inequalities in very early outcomes are, in part, responsible for long-lasting differences in life chances associated with family background. In short, disadvantage in early childhood affects children's progression, with those from less advantaged backgrounds more likely to lose ground.

The new Millennium Cohort Study has found that gaps in vocabulary scores and behaviour by family background are substantial. Those from the most advantaged backgrounds perform, on average, over one year ahead in vocabulary compared to those from disadvantaged backgrounds at ages three and five. Persistent financial hardship is more likely to undermine cognitive as well as behavioural adjustment of young children at age five, which is a significant risk factor for development.¹²

Nevertheless, with regard to potential public sector interventions (such as reducing school disengagement, behaviour support and promoting literacy) any policies that can successfully raise the educational standards of children from disadvantaged backgrounds would appear to have huge potential benefits for London. This is in terms of both providing a better trained workforce to future London employers and in helping to address the social problems, deprivation and lack of social mobility that exist across much of London today.

10. Mayor of London, *What works in preventing and re-engaging young people NEET in London*, February 2007

11. Leon Feinstein, 'Inequality in the early cognitive development of British children in the 1970 cohort', *Economica*, vol 70, 2003.

12. Kirstine Hansen, Heather Joshi and Shirley Dex (eds.), *Children of the 21st century: The first five years*, Policy Press, 2010.

Importantly, the significant relationship between education and health means that better educated individuals are more likely to experience positive health outcomes¹³. Along with these benefits come considerable cost savings through a reduced need for remedial programmes to address social problems.

According to the Marmot Review¹⁴ inequalities in education outcomes affect physical and mental health as well as income, employment and quality of life. The review finds evidence that suggests it is families rather than schools that have the most influence on educational attainment. Parental involvement in their child's reading has been found to be the most important determinant of language and emergent literacy¹⁵. With high levels of skills and qualifications becoming increasingly important to succeed in the London job market, the fact that almost four out of every ten children live in poverty is a major problem.

The evidence is clear that, on average, children in low-income families significantly under-perform against their peers in educational attainment and their health outcomes are generally worse. Therefore, there is a risk that these children will themselves continue to live in poverty as adults, either workless or in low-wage jobs, in no small part due to their lack of qualifications. Thus the deprivation and health problems in many areas of London will continue.

London's future prospects

The high number of young children in London both now and the predicted growth in the future means that significant resources will need to be devoted to London.

According to population projections, the number of children living in London between the ages 0 and 4 will increase by 11.6 per cent from 2008 to 2033^{16 17}. This compares to the UK average increase of 6.9 per cent over the same period. London has the greatest projected increase in the number of children aged 0 to 4 years old of all the regions in England (highlighted by the graphs below which show the increase in the number of children in English regions). This implies a greater need for resources within London compared to the rest of the country for young people moving forward.

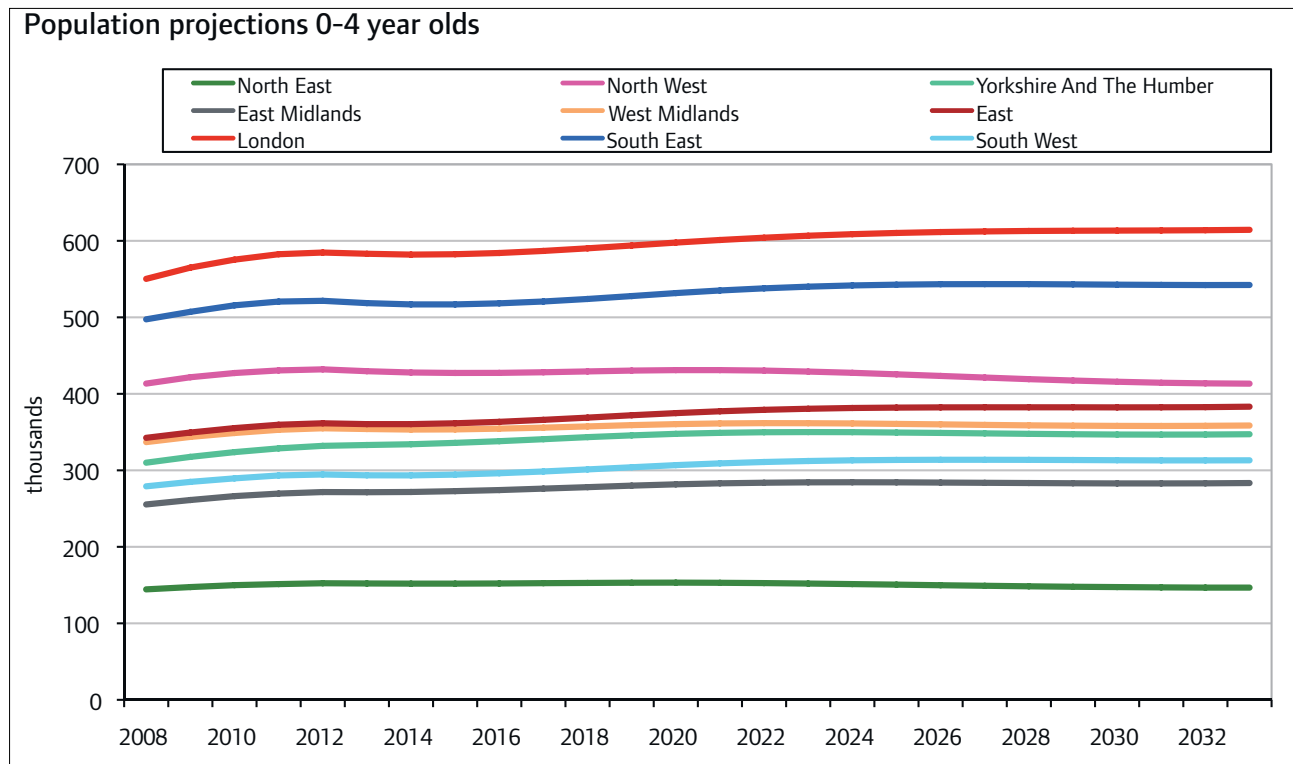
13. Cutler, D. and Lleras-Muney, A. 2006. "Education and Health: Evaluating Theories and Evidence". National Bureau of Economics Research Working Paper No 12352.

14. Marmot Review (February 2010). 'Fair Society, Healthy Lives.' Strategic Review of Health Inequalities in England post 2010

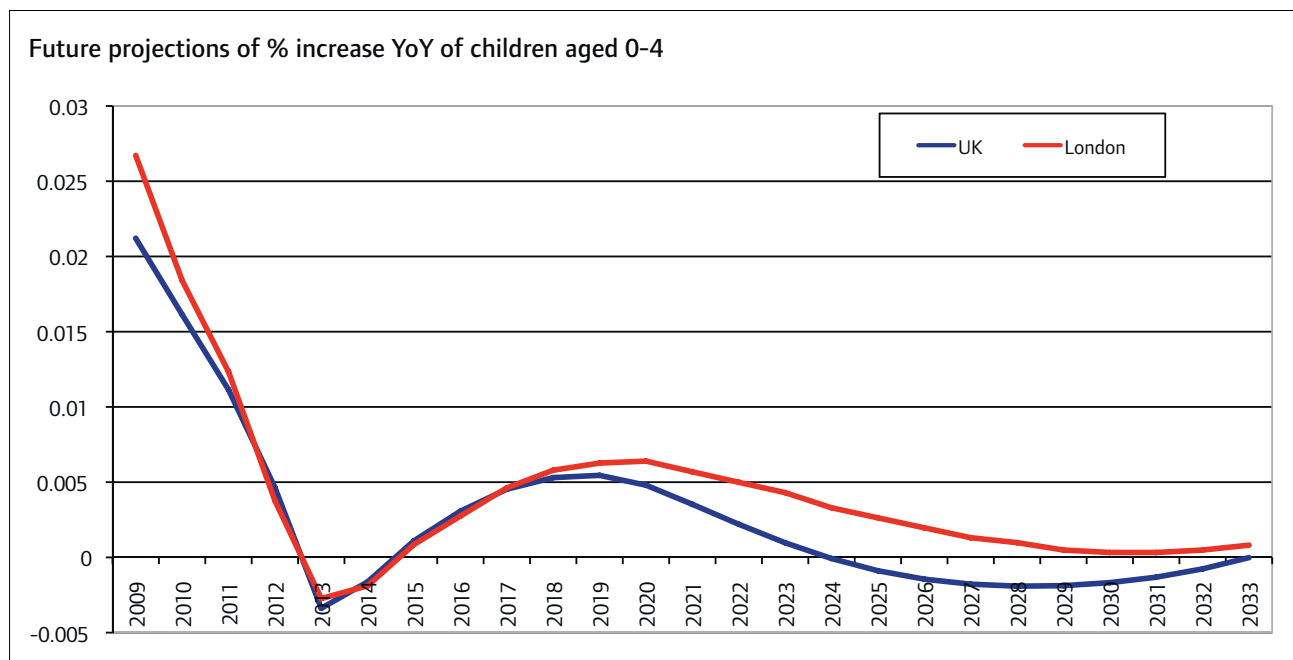
15. Strategic Review of Health Inequalities in England Post 2010 – the Marmot Review, 2010.

16. Subnational population projections (SNPP) are based on the assumption that recent trends in fertility, mortality and migration at local authority level will continue, they take no account of local development policy, economic factors or the capacity of areas to accommodate population. The SNPP are considered to be trend based projections.

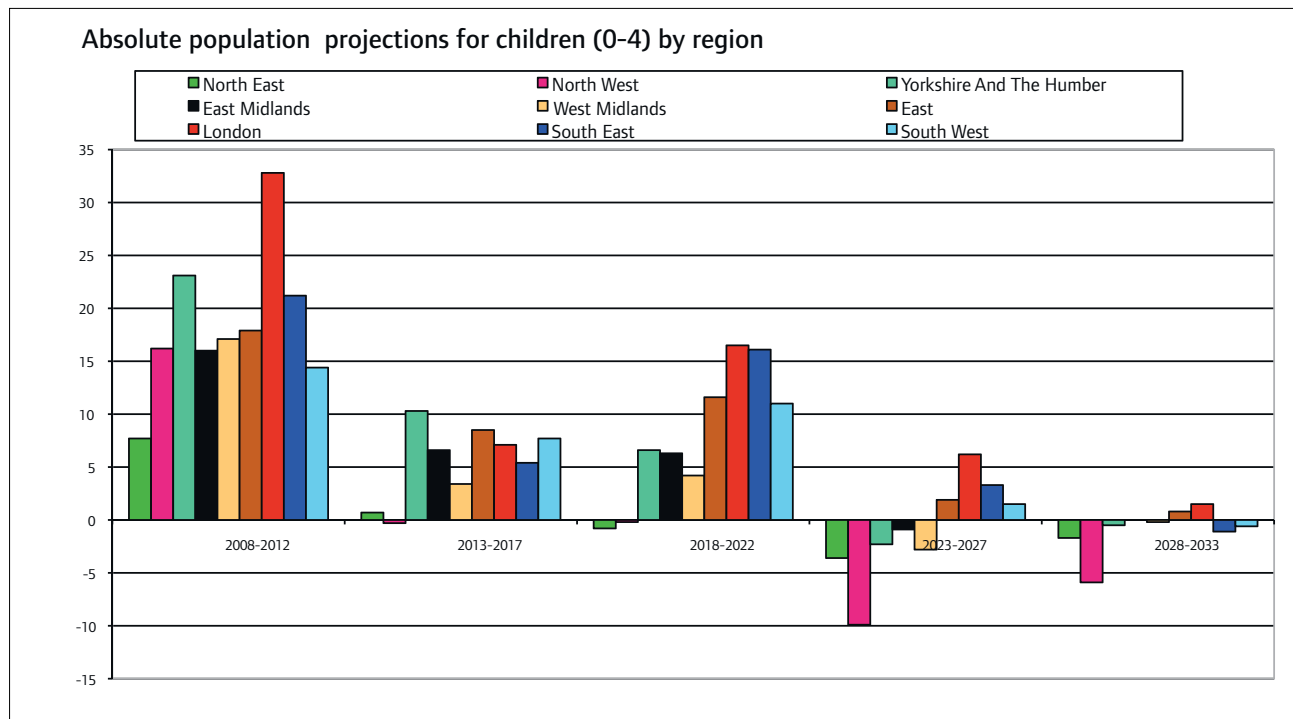
17. GLA, Data Management and Analysis Group (DMAG): ONS 2008 based sub national population projections

Figure A.7: Population Projections of 0 to 4 year olds in England

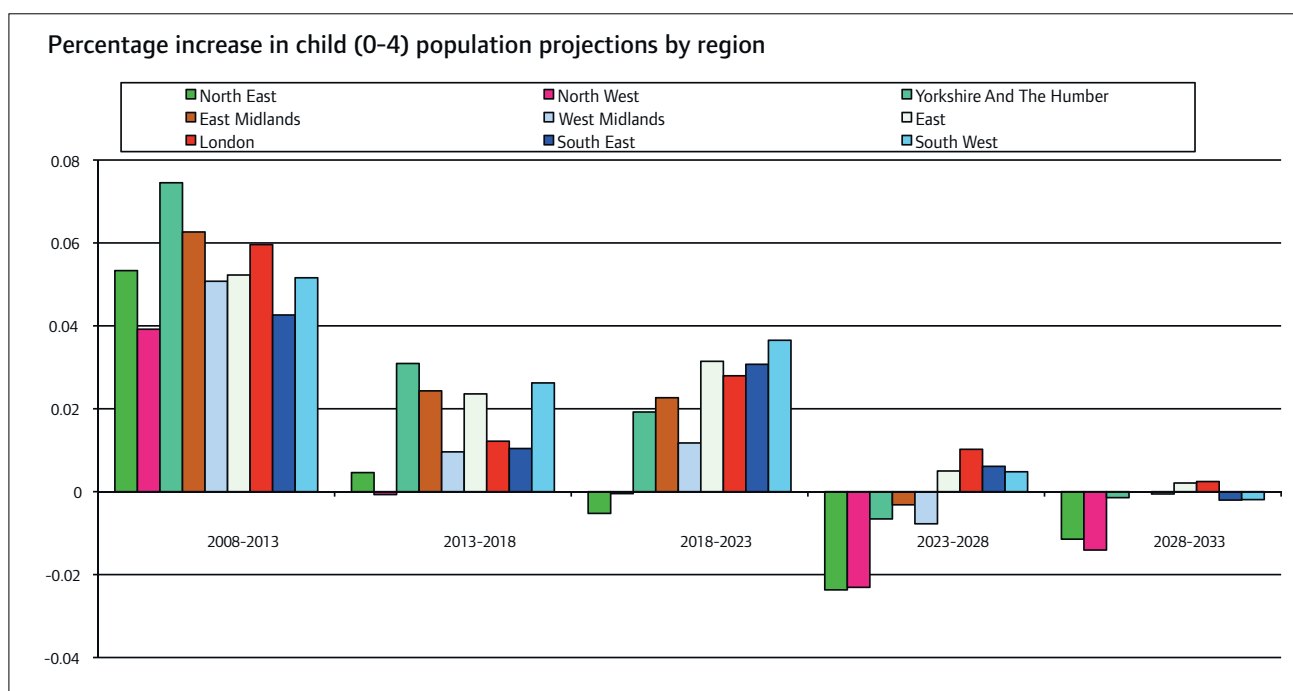
Source: Office of National Statistics, 2008 based Subnational population projections

Figure A.8: Projections of percentage increase of 0 to 4 year olds

Source: Office of National Statistics, 2008 based Subnational population projections

Figure A.9: Absolute population projections for children by region

Source: Office of National Statistics, 2008 based Subnational population projections

Figure A.10: Projected percentage increase of children by region

Source: Office of National Statistics, 2008 based Subnational population projections

One way of illustrating this future impact is through the impact on primary school reception classes. DMAG¹⁸ has estimated that London will need to provide approximately 11 per cent more reception class places by January 2014 and estimates in early 2010 by London Councils, and using GLA DMAG data, predicted a shortfall of 50,710 places over the next seven years¹⁹ Moreover, this increase in demand for child related services is not equally distributed through London.

In both Barking & Dagenham and Hillingdon the increase in required reception classes will be 21 per cent, while in Sutton it is 20 per cent. If an average reception class size is assumed to be 30 children, nine boroughs in London would need to provide at least 20 more classes, led by Ealing (27) and Wandsworth (26). These figures have been used to demonstrate the need for necessary resources to meet schooling requirements in London.

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18. DMAG update 11-2010 June 2010 ONS 2009 Provisional Births

19. Mayor of London, *Young Londoners – successful futures*, GLA, 2010.