

Indicators of Progress

A discussion of approaches to monitor the Government's strategy to tackle poverty and social exclusion

Report of the workshop held on 19 July 2000
organised by Department of Social Security and
Centre for Analysis of Social Exclusion, LSE



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Background

This report is a summary of a joint CASE/DSS workshop that discussed indicators to monitor the Government's strategy to tackle poverty and social exclusion. Held on 19 July 2000, the day was comprised of a series of talks from academics, people from non-governmental organisations and officials, followed by discussion. The workshop was organised to discuss, and promote expert debate on, the pros and cons of different approaches to monitoring poverty and social exclusion. It was split into three sessions covering measurement of income poverty and deprivation, wider aspects of social exclusion and overall approaches to monitoring success, and primarily focussed on child poverty. Around 50 people attended the workshop.

Most of the speakers have kindly produced papers of their talks. DSS and CASE do not necessarily share the views they have expressed. The workshop predated the second ***Opportunity for All*** report and therefore some of the papers may not reflect developments within it – or work that is currently being developed on, for example, the health inequalities indicator.

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Chaired by John Hills (CASE, LSE)

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Session 1: Measurement of Income Poverty and Deprivation

MEASUREMENT OF INCOME POVERTY AND DEPRIVATION: THE BRITISH APPROACH

John Hills, Centre for Analysis of Social Exclusion

Background

The current political importance of measuring trends in poverty is exemplified by two commitments by the Prime Minister:

"I believe in greater equality. If the next Labour Government has not raised the living standards of the poorest by the end of its term in office, it will have failed." (July 1996)

"Our historic aim will be for ours to be the first generation to end child poverty forever, and it will take a generation. It is a 20 year mission, but I believe it can be done." (March 1999)

While setting the political stakes high, these statements do not set a clear measure for whether they have been achieved, and set different timescales. The first starts with a statement about equality, which implies a focus on *relative* poverty. But the second part of this statement is about raising *real* living standards and hence reducing *absolute* poverty – a necessary but not sufficient condition (at times of growth) for relative poverty to fall. The second contains the historic commitment to ending 'child poverty', but does not explain precisely what is meant by 'poverty' in this context.

However, the March 1999 speech also says that "almost one in three children in our country lives in poverty" (Blair, 1999, p.16) which is consistent with the number of children living in households with income below half average income (after housing costs). Other Government statements have talked about the dramatic rise in child poverty since the 1970s, which implies that this is a relative measure, referring to contemporary average incomes.

Most concretely the *2000 Spending Review* set a Public Service Agreement "to reduce by at least a quarter by 2004 the number of children living in households with an income of less than 60 per cent of the median" (HM Treasury, 2000, p.93). By implication again, this refers to the contemporary median, and is thus a relative target.

UK official poverty statistics

The UK does not have an official poverty line as in the US, or Minimum Income Standard, as adopted by some other countries (Veit-Wilson, 1998). For a number of years the (then) Department of Health and Social Security published a series for 'Low Income Families', with numbers given below, at, or near thresholds defined in relation to what are now Income Support rates. This approach followed from Abel-Smith and Townsend's (1965) analysis of post-war poverty trends. It was officially discontinued in the mid-1980s on the grounds that a perverse effect of greater generosity in social security benefit rates would lead to an increase in measured poverty, as the thresholds rose in line with them.

Instead, the DSS now publishes the *Households Below Average Income* (HBAI) series. This is based on survey data (now the *Family Resources Survey*) for the distribution of equivalised net household income (i.e. adjusted for household size and after benefits and direct taxes), measured both before and after allowing for housing costs. This series generates *both* absolute and purely relative measures of the numbers with low incomes. The main focus has been on the headcount of numbers with incomes below 50 per cent of the contemporary mean, although recently more official emphasis has been given than before to the numbers below 60 per cent of the median. These two measures currently give much the same number, although the latter would, for instance, have shown somewhat slower growth in the numbers with low incomes over the 1980s. Recent editions of the statistics have also included some information on the persistence or repetition of low income over time, drawing on the British Household Panel Survey (e.g. DSS, 2000, ch.8).

Most recently the Government has committed itself to the production of an annual 'Poverty and Social Exclusion Report'¹ including a wide range of 'indicators of success' – more than thirty in the first (1999) report as well as those for a further four areas to be monitored in relation to the Social Exclusion Unit's strategy for neighbourhood renewal (DSS, 1999, summary pp 16-22).

These measures include numbers with relatively, absolutely and persistently low incomes (measured against several different thresholds, e.g. 40 per cent, 50 per cent, and 60 per cent of the mean) for three age groups (children, those of working age, and older people). They also include numbers for: workless households; long-term Income Support/means-tested Job Seekers' Allowance claimants; employment rates of disadvantaged groups; and fuel poverty. More widely they include: education outcomes in Sure Start areas and for care leavers; poor housing and rough sleeping; health outcomes such as smoking, suicide, teenage pregnancy, and drug abuse; fear of crime; and pension contributors.

Absolute or relative poverty lines?

A major issue in measuring income poverty is whether to focus on absolute or relative measures. Absolute poverty lines become irrelevant eventually. Few people would see the real poverty lines as drawn by, say Seebohm Rowntree one hundred years ago as being relevant to contemporary notions of what would constitute

¹ *Opportunity for All*

poverty. If ability to participate in one's own society is taken to be the focus, relative lines are likely to be far more relevant: people with a fixed real income will find it harder to participate as general prosperity rises around them. Evidence from the *Breadline Britain* surveys of 1983 and 1990 suggests that popular notions of 'necessities' – and hence income required to acquire or achieve them – do indeed rise as overall incomes rise.

However, purely relative measures, like the half mean contemporary income line available from the HBAI analysis, can generate paradoxes particularly in the short-term. As Brian Nolan discusses in his contribution, with recent rapid growth in Ireland, poverty in an absolute sense has fallen dramatically, but relative poverty has risen. The latter jars with popular perceptions of the rising living standards of the poor. Conversely, in several post-Soviet economies, overall living standards have collapsed but purely relative measures can show no increase in 'poverty' – despite the large numbers living at levels well below what would only recently have been thought of as poverty.

A possible resolution of such paradoxes is that society's notions of poverty are generally relative, but they adjust to changes in general living standards with a lag. As a result, if the rate of growth diverges greatly from the longer-term trend, changes in relative measures can conflict with popular perceptions (even if in the longer term they come back into line).

It should also be noted that recent Government statements have used relative measures to describe the extent of the problem. A switch to using 'easier to achieve' absolute measures would generate accusations of double standards between criticising its predecessors and measuring its own performance.

Other issues in measuring incomes

Several other issues arise with any attempt to measure income distribution or produce income-based poverty measures. Some of those most relevant to the current UK statistics follow.

- **Should the focus be on fractions of *mean* income or of *median* income?** If the reason for a focus on relative incomes is participation in contemporary society it could be argued that, say, Bill Gates' income is not relevant to participation in society's mainstream. Arguments like this would suggest focus on the median as more representative. But this is not always so obvious: it would seem odd, for instance, to say that few people were 'poor' in pre-1789 France just because the majority – including the median – had so little, even though a substantial group had so much.
- **Should the focus be on *poverty gaps* rather than headcounts?** The current HBAI series concentrates on headcounts of numbers below particular thresholds. But using these as targets could be dangerous – changes which moved people towards the 'poverty line' even by a substantial amount – but not across it – would not show up, but a small change taking someone across it would. Policy-makers might be tempted to focus disproportionately on those just below the line rather than those with the worst problems. But measuring poverty gaps requires good

statistics for the lowest incomes. At present DSS does not regard the statistics for the lowest incomes (some of them negative) in the surveys as reliable.

- **How to deal with housing costs?** If the focus is on incomes before housing costs (BHC), higher rents can lead to apparently higher incomes because of the way they increase Housing Benefit (part of net income) even though the recipients are not in any meaningful way better off. Looking at after housing costs (AHC) incomes removes this problem but introduces a new one – where higher costs represent improved housing quality it is inappropriate to deduct them in the way calculating AHC incomes does. An ideal measure would avoid these problems by including an element of imputed rent for owner-occupiers and those paying sub-market rents. But there is no way of estimating these amounts that is likely to prove robust enough for use in sensitive official statistics.
- **Which equivalence scale to use?** Sensitivity analysis published with HBAI generally shows that *aggregate* estimates of those with low incomes are robust to the equivalence scale used. But this is not the case for sub-groups. If the emphasis of policy is on reducing *child* poverty, for instance, the very low weights given to young children by the McClements scale become an issue.
- **What about the social wage?** Current policy is to increase public spending on the NHS and education faster than GDP, and to ensure that low income areas benefit more from them. This could have major effects on the overall standard of living of poor households (for whom health care and education are relatively much more important), but will not show up in the income statistics of the kind used in HBAI.
- **How to allow for persistence or recurrence of low income?** Persistent or repeated low income is likely to be a more serious problem than transitory low income, so there are good arguments for using data from panel studies to measure their extent. However, of necessity such measures are only available with an even longer lag than those for cross-sections. Detecting whether persistence has increased or decreased from such sources will take even longer – particularly if, as seems likely, durations change with the state of the economic cycle.
- **How quickly can the measures be produced?** There are technical constraints on the speed with which accurate statistics can be produced, and there is at present a significant lag before they come out. For instance, adjustment of estimates of the highest incomes relies on tax data (the 'SPI adjustment'), while the sensitivity of the figures has led to a system of independent checking. Clearly resources devoted to the task can make a difference. Some of the most important economic indicators such as the RPI or unemployment statistics (even those based on the Labour Force Survey) are able to give a picture of where we were in the much more recent past than we have for income distribution. This may be unavoidable, but there may be ways of producing 'leading indicators' which give a better idea of where we are now, for instance: numbers receiving benefits (and their durations); workless households from the Labour Force Survey; New Earnings Survey data on low wages; modelling of changes in tax and benefits structures and values relative to trends in other incomes.

- **Single or multiple measures?** This discussion immediately highlights a problem. A single measure of income poverty will always have something wrong with it. On the other hand, multiple measures (of the kind being used as 'indicators of success' at present) run the danger of becoming fuzzy and ultimately meaningless as it becomes possible almost always to point to some of them as showing 'success' (while critics equally can always find something to show 'failure'). Avoiding this either requires some of the indicators to be given more prominence or for some kind of composite 'index' to be used (but see John Micklewright's contribution for discussion of the issues this raises).

Measures beyond income

There are thus difficulties in measuring 'income' definitively. Even if it could be measured accurately, income by itself clearly only measures part of people's standard of living or well-being. For both reasons there has been growing interest in looking at measures of deprivation, which go beyond simply examining cash incomes. One motivation of studies like the *Breadline Britain* surveys (and the 1999 *Poverty and Social Exclusion* survey reported in Gordon et al., 2000) is to indicate what level of income is necessary to avoid deprivation in the sense of being unable to afford popularly defined 'necessities'. But another use and motivation for such studies is that they may show deprivation or lack of ability to participate in society in dimensions other than simply material consumption. Current use of the phrase 'social exclusion' implies an interest in these wider dimensions.

First, *Breadline Britain*-type measures may help solve part of the Irish/post-Soviet paradox referred to above. If society's perceptions do indeed lag behind sudden changes in living standards, measures using such deprivation indicators may show more appropriate trends. The Irish approach described by Brian Nolan shows how they can be combined with income measures to produce trends in 'consistent poverty'. It should be noted, however, that an absolute/relative issue arises here too, depending on whether the deprivation indicators are 'rebased' each year to allow for changing perceptions.

Second, if there is an interest in wider measures of well-being or social inclusion, other measures going beyond income will be needed, for instance covering dimensions such as:

- health and life expectancy;
- education and literacy;
- security or 'precarité' of income;
- control over one's life/political participation; and
- worklessness or lack of other forms of productive activity or role (such as caring).

These *could* be combined into a single measure, as the UN does with its Human Development Index (indeed policy could focus on a version of the HDI itself). However, if we are dealing with distinct dimension of people's lives – albeit closely related – rolling them up into a single measure is inappropriate.

Criteria for official measures

An official measure has to satisfy four criteria.

- **Political credibility**
 - A clear decision on which measure or measures to focus on is needed soon, particularly in relation to child poverty.
 - It will be hard to move away from focus on a 50 per cent mean/60 per cent median relative income line at least as one central indicator.
 - Multiple measures are open to 'picking and choosing', losing the clear definition of any target.
- **Policy credibility**
 - If 'anti-poverty' policies succeed, the key indicators should go down.
 - So if cash 'isn't the only thing that matters', it would be odd just to measure cash.
- **Public credibility**
 - If the level or trend in the measure is very different from that generated by consensual/*Breadline Britain*-type measures, there is probably something wrong with it.
 - If the measure is out of line with what poor people themselves think is happening there is probably something wrong with it.
 - It needs to survive the Irish/post-Soviet paradox (unless, of course, boom and bust have indeed been abolished forever...).
- **Technical credibility**
 - No fancy adjustments, however theoretically desirable, which have a wide margin of uncertainty (sadly ruling out something like a 'With Housing Income' measure which would resolve the BHC/AHC problem as suggested in Gardiner et al., 1995)
 - It has to generate a robust time series, not just for the recent past but also for up to two decades.
 - It would be useful to have international comparability so that trends can be measured against comparable countries.

A possible resolution: The Starfish and the Good Life

A way of resolving these conflicting pressures might be to divide the problem in two.

- **The Starfish.** The first part would be a core measure (or possibly two) of income/material living standards. This could be an HBAI-type income measure, together with a *Breadline Britain*-type deprivation measure (or indeed a combination of the two as in Ireland). Measurement of policy success could focus on this core. However, it would be supplemented by 'spikes' showing whether the trends revealed were vulnerable to changes in technical assumptions of the kinds discussed above: depth of poverty; treatment of housing costs; persistence/duration; the social wage; equivalence scales and assumptions about sharing within the household; etc. Giving prominence to the core would give a clear policy focus, but the 'spikes' would ring alarm bells if they consistently revealed different trends.

- **The Good Life.** The second part would be a *separate* set of indicators designed to capture other aspects of well-being or participation (in much the same way as the existing DSS 'indicators of success') going beyond cash income and material living standards. There need to be multiple indicators because they are measuring different things (by contrast with the spikes of the Starfish which are needed because our income measures are imperfect).

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MEASURING AND TARGETING POVERTY: THE IRISH EXAMPLE

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1. Introduction

With the launch of its National Anti-Poverty Strategy Statement (NAPS) in 1997, Ireland became the first European Union member state to adopt a global poverty target. This target is framed in terms of a poverty measure incorporating both relative income and direct measures of deprivation, developed at the Economic and Social Research Institute. With the UK now having an explicit political commitment to ending child poverty over a 20 year period, the Irish experience in terms of measuring poverty and framing an official poverty target are of particular relevance. Here the evolution of this poverty target and measure are briefly described. Recent trends in income poverty and deprivation, and in this combined income and deprivation poverty measure, are then presented. Finally, these results are used to illuminate central issues about framing poverty targets and measuring progress in reducing poverty.¹

2. The Irish Poverty Target and Measure

The Irish National Anti-Poverty Strategy starts by setting out a definition of poverty in the following terms:

“People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and resources people may be excluded and marginalized from participating in activities which are considered the norm for other people in society” (NAPS 1997 p. 3)

The overall or global target set out in the original NAPS Strategy Statement is then:

“Over the period, 1997-2007, the National Anti-Poverty Strategy will aim at considerably reducing the numbers of those who are ‘consistently poor’ from 9 to 15 per cent to less than 5 to 10 per cent, as measured by the ESRI.” (NAPS 1997 p. 9)

This target relates to the numbers both below relative income poverty lines and experiencing what research at the Economic and Social Research Institute (ESRI) has termed ‘basic deprivation’, measured by non-monetary indicators such as not being able to afford a warm coat, a second pair of shoes or adequate heating.

A number of specific targets in the areas of educational disadvantage, unemployment, income adequacy, urban and rural disadvantage were also set out, but the global poverty reduction target is absolutely central to NAPS, and the fact that Ireland now has such an official poverty target represents a major step forward. When the

1 See Nolan (1999) and Layte, Nolan and Whelan (2000) for a more detailed treatment.

Strategy was initiated the extent of poverty used as the baseline for the target was taken from the 1994 Living in Ireland Survey, but when data for 1997 became available the original target was revised, as we shall see: first, though, we need to describe in more detail how the measure of 'consistent poverty' was developed.

Poverty is generally conceived as inability to participate in the ordinary life of society due to lack of resources. Non-monetary indicators of deprivation have been developed and used in poverty research by, among others, Townsend (1979), Gordon et al (1995), Mack & Lansley (1985) and Gordon et al (2000) in the UK, Muffels (1993) with Dutch data, and Hallerod (1995) for Sweden. Research at the ESRI with Irish data over a number of years has made use of such non-monetary indicators, and explored in detail the relationship between them and reported household incomes (e.g. Callan, Nolan, and Whelan, 1993 and Nolan and Whelan, 1996). This has brought out the extent to which household's deprivation levels are influenced not only by current income but also by resources and experiences (particularly in the labour market) over a long period. This means that low income at a point in time may not on its own be a reliable measure of exclusion arising from lack of resources, and thus poverty lines based wholly on current income may be problematic.

Using Irish data we sought to construct a more reliable measure by combining low income with suitable direct indicators of deprivation – items generally regarded as necessities which individuals or families must do without because they cannot afford them. Factor analysis of Irish data on non-monetary indicators for 1987 revealed three underlying dimensions of deprivation which we called basic, secondary and housing dimensions. The 'basic deprivation' cluster included not being able to afford heating, a substantial meal once a day, new rather than second-hand clothes, a meal with meat, chicken or fish every second day, a warm overcoat, two pairs of strong shoes, a 'roast' or equivalent once a week, and not falling into arrears or debt paying everyday household expenses. These items were perceived to be socially necessities: "things that every household should be able to have and that nobody should have to do without". They were possessed by most people, reflected rather basic aspects of current material deprivation, and clustered together.

On this basis we concluded that these were most suitable as indicators of the underlying generalised deprivation that one is trying to measure. Those on relatively low incomes and experiencing basic deprivation were then identified as experiencing generalised deprivation or exclusion due to lack of resources. When we looked at the other features that one might expect to be associated with exclusion – such as low levels of savings and high levels of economic strain and psychological distress – this combined measure performed much better than income on its own.

In 1994, about 15 per cent of households were below the 60 per cent relative income poverty line and experiencing basic deprivation, while 9 per cent were below half average income and experiencing such deprivation – the 'nine to fifteen per cent consistently poor' figure referred to in the NAPS target. It must be emphasised that this combined poverty measure was never intended to be a mixture of relative income and absolute or fixed deprivation indicators. Instead, the need to adapt and augment the non-monetary deprivation indicators in the light of improved living standards, changing perception about what constitute necessities, and potential transformations of the underlying structure of deprivation, was central to the conceptual underpinnings. Actually implementing this adaptation, however, raises issues that are particularly difficult to address in a period of very rapid growth, as we shall see.

To summarise, the central aim of a poverty measure is to capture sustained inadequate command over financial resources. One way of addressing the limitations of low income is to complement it with cross-sectional information on non-monetary deprivation indicators. Information on the persistence of low income over time, where longitudinal data are available, would also be very valuable and a 'persistent' poverty measure is likely to end up identifying many of the same households as poor as the cross-sectional 'consistent' poverty measure.

3. Recent Trends in Different Poverty Measures

We now describe recent trends in different measures of poverty using data from the 1994 and 1997 waves of the Living in Ireland Survey, the Irish component of the European Household Panel Survey. A full description of the 1994 and 1997 surveys can be found in Callan et al (1996), and (1999) respectively.² This period was one of remarkable growth in Ireland, with GDP increasing by 7-8 per cent per annum – the 'Celtic Tiger' phenomenon. Economic growth rates exceeded those in most OECD countries, underpinned by a social partnership approach to wage setting in operation since the late 1980s. This linked centralised wage bargaining to input from the social partners on tax and welfare policy, within a broader consensus about development strategy. Economic growth on this scale had a major impact on unemployment, which had risen very rapidly during the 1980s to reach 18 per cent of the labour force. It still remained as high as 16 per cent by 1994, but subsequently fell rapidly, down to 11 per cent by 1997 (and has fallen a good deal further since then). With something of a lag, long-term unemployment has also fallen very considerably.

This translated into substantial increases in average household income over the 1994-1997 period. An increase of 20 per cent in that average in nominal terms was seen, at a time when consumer prices rose by only 6 per cent. Adjusting household incomes for differences in size and composition, the increase in mean incomes was larger, at about 22 per cent. However, the impact this had on households depended on their main source of income, because social welfare support rates, while increasing well ahead of prices, did not keep pace with the exceptionally rapid rise in incomes from the market. Key social welfare pension rates, for example, rose by 12 per cent in nominal terms.

Trends in relative income poverty over this period of unprecedented economic growth are shown in Table 1.1. Household income as reported in the two surveys is used to create relative income poverty lines, based on proportions of mean equivalised disposable household income (see Callan et al 1999 for a detailed description).³ We see that, despite the buoyant economic situation, the percentage of households below the relative income lines increased over the period, consistently from the 40 per cent up to the 60 per cent line. The percentage of persons below those lines showed a similar trend. Thus a substantial increase in average household income, shared in by those on lower incomes, was accompanied by, if anything, an increase in relative income poverty rates. (This is also the case if relative lines based on the median rather than mean income are employed).

2 There was sizeable attrition between Waves 1 and 4, taken into account in the weights applied to the latter. Detailed validation suggests that attrition was not associated with characteristics such as income or deprivation levels or social welfare reciprocity, and did not to have a significant impact on the structure of the sample.

3 The equivalence scale employed reflects the relationships implicit in the rates of Irish social welfare payments in the late 1980s: where the household head is given a value 1, each extra adult is given a value of 0.66 and each child a value of 0.33. The pattern shown here holds across a range of scales.

Table 1.1: Percentage of Households Below Relative Income Poverty Lines, Living in Ireland Surveys 1994 and 1997

Equivalence scale/Poverty line	Percentage of households below line	
	1994	1997
40% relative income line	7%	10%
50% relative income line	21%	22%
60% relative income line	34%	35%

Over any prolonged period when general living standards are changing, perceptions and expectations as to what is acceptable can also be expected to change, and this provides the essential rationale for using relative rather than fixed income poverty lines. However, it is clearly also important to know what has been happening to real incomes. At a minimum, one would certainly want to be able to distinguish between a situation where the incomes of the poor are rising in real terms but lagging behind the average in the society, and one where real incomes of the poor are falling while the average is stable. Given the scale of real income growth in Ireland over the period in question, income standards adjusted upwards over time only in line with prices show a very different picture. If, for example, a line set at 60 per cent of average income in 1987 were indexed to prices from then on, the poverty rate on this basis would have fallen from about 30 per cent in 1987 and 20 per cent in 1994 to 11 per cent in 1997. Thus, in a period of rapid though uneven income growth, relative income and 'real' income poverty lines provide radically different perspectives on the evolution of poverty.

Against this background, deprivation levels as measured by the range of non-monetary indicators available in our surveys fell substantially. Taking the eight items in our basic deprivation index, the percentage scoring zero on this index rose from 75 per cent to 85 per cent, while the percentage scoring more than one fell from 12 per cent to 7 per cent. (This decline is also seen with the other indicators, in what we have called the secondary and housing dimensions.) Table 1.2 then shows the percentage of households below the relative income lines and experiencing basic deprivation for 1994 and 1997. We see that the percentage below the 60 per cent line and experiencing basic deprivation fell from 15 per cent to 10 per cent, and the percentage below the 50 per cent relative income line and experiencing such deprivation also fell though less sharply. Thus, combining relative income poverty lines with a deprivation criterion (which is itself held fixed) gives a very different picture to that shown by relative income lines alone.

Table 1.2: Percentage of Households Below Relative Income Thresholds and Experiencing Basic Deprivation, Living in Ireland Surveys 1994 and 1997

Relative Income Line	% of households below line and experiencing enforced basic deprivation	
	1994	1997
40% line	2.4%	3.0%
50% line	8.9%	7.3%
60% line	14.9%	9.9%

These results revealed that the numbers below the 60 per cent relative income line and experiencing basic deprivation had already fallen by 1997 to the level the original NAPS global poverty reduction target aimed at for 2007. As a result, the global poverty reduction target in the National Anti Poverty Strategy was revised in 1999, and is now to reduce 'consistent poverty' to below 5 per cent by 2004 (NAPS 1999).

A central question has to be asked about the consistent poverty measure as currently constituted in the light of these results: as living standards rise, has an unchanged set of indicators continued to adequately capture what is regarded as generalised deprivation? The set of indicators included in the basic deprivation measure has remained unchanged from 1994 to 1997 – indeed, since 1987 when we first had data available – and one needs to be sure that this measure is not missing fundamental changes in expectations and in what it means to be poor. Over the whole period from 1987 to 1997, expectations do indeed appear to have risen in line with the general upward trend in the extent of possession of items. As a result, items such as central heating, a telephone, a car, a colour TV, and presents for friends and family at least once a year came to be perceived as necessities by a substantial majority of households. However, not all socially perceived necessities are suitable for incorporation into the combined income/deprivation measure, but only those tapping the underlying generalised deprivation one is attempting to capture. Factor analysis shows that these five items continue to load on what we have called secondary deprivation dimension, rather than clustering with the basic items (Layte et al 1999).

We have also examined the additional households who would be counted as poor if one did indeed broaden the deprivation element of the measure by incorporating these five additional items. In terms of self-assessed economic strain, psychological distress and fatalism the consistent picture was that the profile of these households was similar to that of the 'non-poor' and strikingly different from the 'consistent poor'. For example, almost 40 per cent of those counted as poor with our current combined income and deprivation measure report "extreme difficulty" making ends meet. This compares to only about 11 per cent of the additional group who would be counted as poor if the deprivation criteria were expanded and under 5 per cent of those who are non-poor even with the expanded criteria. A similar pattern emerged when people were asked about their level of satisfaction with their financial situation, and in terms of levels of psychological distress. The combined income and deprivation measure as originally constituted thus continues to identify a set of households experiencing generalised deprivation resulting from a lack of resources, who are suffering a degree of economic strain and general psychological difficulties that mark them out from the

rest of the population. The decline in numbers poor by this measure captures the effects of improvements in living standards that are not reflected in the relative income line results.

4. Targeting Poverty

What then are the main lessons to be learned from the Irish experience with poverty targets so far? Setting out an overall standard against which success or failure of the national effort to combat poverty can be assessed is enormously important. By doing so, the Government both acknowledges its responsibility for reducing the overall extent of poverty and gives policy commitments content and meaning. The adoption of a national poverty target fundamentally alters the nature of the national discourse on poverty and the way anti-poverty policies are assessed. Obtaining widespread agreement on the broad definition, the general meaning to be attributed to the term poverty, has not so far proved to be a major obstacle in the Irish case. While some might quarrel with the resolutely relative conceptualisation spelt out in that definition, it emerged from a lengthy consultative process and has been accepted by successive Governments.

What is much more problematic is arriving at a measure and target or set of targets to encapsulate this definition. The Irish NAPS Strategy did not set out an explicit justification for its choice of target and measure. Some have criticised the target itself for being insufficiently ambitious in the scale of the reduction sought, and indeed for not concentrating entirely on the numbers below relative income lines. If the latter course had been adopted, however, it is hard to see how such a relative income poverty target showing absolutely no progress – or even a worsening – in a period when unemployment and deprivation levels declined so rapidly could have retained either political or public credibility. On the other hand, others criticise the inclusion of the relative income line component, regarding this as a measure of inequality rather than poverty, and would prefer to concentrate entirely on a fixed set of deprivation measures or on real rather than relative income standards. Over time, that would clearly be inconsistent with the relative definition of poverty explicitly adopted in the strategy.

Adapting the deprivation element of the consistent poverty measure over time as living patterns alter poses particular problems. An element of judgement is necessarily involved, which may affect the precise level of the poverty measure at a particular point in time. While less serious in a measure aiming to capture broad directions and trends in poverty, this may be seen as a problem in a poverty target. It would also be undesirable in the latter context for changes in the key poverty number to be perceived as emerging from a 'black box', given the importance of public acceptance of, and identification with, the poverty target. The fact that basic deprivation is measured in terms of items with which people can readily identify – such as not being able to heat one's house or have adequate clothing – is one of the arguments for using deprivation indicators in the first place. In the same vein, it is essential to ensure maximum transparency in the process of adapting the items over time as that becomes necessary, which it undoubtedly will at some point.

The other difficulty with the combined income and deprivation measure as the sole poverty target is most pronounced in a period of rapid economic growth such as the one Ireland has been experiencing. If a global poverty reduction target framed in terms of the combined income/deprivation poverty measure is to be reached it seems

likely that in normal circumstances other measures, such as the numbers in relative income poverty, would also have to be falling. The unusual situation in which that may not hold is when average incomes are growing exceptionally rapidly, when those on low incomes share in that growth and see their real living standards rise significantly, but when they lag somewhat behind the mean – which is precisely what has been happening in Ireland. Even augmenting the set of deprivation measures to take into account changing expectations may not then be enough to alter this picture.

Over a lengthy period when living standards stabilise, societal expectations may indeed catch up and adjust fully to higher average incomes. Higher real incomes and lower deprivation levels, however welcome, would not then mean that everyone was able to participate fully in society: they would not represent a sustained reduction in poverty. In the shorter term, however – over which a poverty target may be operating – the fact that real and relative income levels are diverging so markedly cannot be simply ignored. The key challenge in setting and monitoring poverty targets is to capture these realities, but also take into account the long-term consequences of lower incomes, and social security rates in particular, lagging behind the average.

At a minimum, this means that a poverty target should be re-based regularly, perhaps every five years or so, rather than cast in stone. More fundamentally, though, it may be worth broadening the scope of poverty targets to encompass more distinct elements. As well as the combined income/deprivation measure, one could have distinct targets for the key elements underpinning it. One could, for example, think in terms of a set of tiered and inter-related poverty reduction targets along the following lines.

- A) Priority is given to ensuring that those on low incomes see their real incomes rise, and their deprivation levels using a fixed set of indicators decline.
- B) Next, relative incomes and deprivation levels using a set of deprivation indicators which changes as far as possible in line with expectations should produce a decline in the combined income/deprivation measure.
- C) Finally, the proportion of the population falling below relative income poverty lines should be declining.

Each of these tiers can be regarded as encapsulating a necessary but not sufficient condition for a sustainable reduction in poverty.

- A) Reflects the assumption that if real incomes of the poor are falling and their deprivation levels rising, then even if their relative positions were improving most people would see poverty as increasing.
- B) Reflects the assumption that the combined effect of changes in relative incomes and deprivation should be to reduce the extent of what is regarded as exclusion at a point in time.
- C) Reflects the assumption that in the long term, people will not be able to participate in what comes to be regarded as ordinary living standards if their incomes fall too far below the average: a sustained reduction in poverty can then be achieved only by bringing them closer to average incomes.

There is a real dilemma here. Atkinson (1997) for example advocates an annual Poverty Report presenting a range of information as well as an informed commentary: one of its objectives would be to divert attention from a single number. From an

analytical point of view, and in order to inform both the policy-makers and the public as fully as possible, this makes perfect sense. From a political perspective, however, a key element in the exercise is to have a national commitment to attaining a clearly-articulated target, with regular monitoring of performance crucial to the credibility of that commitment and of the Government's anti-poverty strategy. This means that there has to be a headline number, or very limited set of numbers, against which success or failure will be judged. So the way in which the official target is framed is still critical. It has to try to meet the need for a headline number, but still seek to encapsulate key elements of the complexity of the underlying reality.

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MEASUREMENT OF POVERTY: IMPLICATIONS OF THE US APPROACH

Professor Sheldon Danziger, University of Michigan

Contrasting the US approach with that in continental Europe and the UK, Sheldon Danziger described the way in which the US poverty line was in most respects an absolute one, with a fixed real value. The official poverty line was established in the mid-1960s, and is updated annually to reflect changes in consumer prices. A recent review of the official measure of poverty by a panel of experts convened by the National Research Council (*Measuring Poverty: A New Approach*, edited by C. Citro and R. Michael, 1995) suggested that it should be revised to reflect not only price changes, but also changes in the consumption of basic necessities. This would lead to something above pure price-indexation.

The panel's recommendations are not likely to be implemented; a previous detailed study of poverty measurement carried out in the mid-1970s was also not implemented. As a result, Danziger suggested that care be taken in deciding on an official line. In his view, the US experience suggests that once an official poverty line is adopted it is likely to stay in place for a long time, as any proposed change will be politically problematic.

The US line can be changed by a Presidential administration, without a vote of Congress. However, any change tends to produce some groups whose share of the poverty population increases, and other groups whose share decreases. Because funding in a number of social programs is a function of the poverty rate, these changes have financial implications. For example, the NRC recommended that the poverty line be adjusted geographically to account for differential costs of housing. Currently, the poverty line is constant across the country. If this change were implemented, the poverty rate would fall in states with low housing costs and increase in those with high housing costs. As a result, members of Congress from the low housing cost states would protest the proposed change because it would reduce the amount of federal funds flowing into their states. In addition, Presidential administrations are reluctant to make a change in the poverty line that would show the poverty rate increasing in the period of their leadership.

Danziger also cautioned against adopting a single relative measure of poverty. He pointed to a case, not unlike recent experience in Ireland, where the incomes of the population – rich, middle class, and poor – all increased by a substantial percentage over a several year period. He felt that the Government should get credit for raising the living standards of the poor, even if it turned out that their incomes did not rise more than the median income. In this situation, absolute poverty declines sharply, but relative poverty does not change.

As a result, Danziger's advice would be to use an absolute target as the centre of any 'starfish' of poverty indicators of the kind described by John Hills. The crucial advantage of this is that it does produce progress if the living standards of the poor increase. If too ambitious a target is set, the statistics will show failure, and undermine the policy as a whole. Given the structure of modern economies, in which technological changes and globalization have exerted downward pressure on the

wages of less-skilled workers in most industrialized countries, a country will be doing well if real wages at the bottom rise. By contrast it may simply be impossible to achieve a relative target in which the wages of the less-skilled grow at a faster rate than that of the most-skilled.

The US target (with a starting value which was equivalent to more than 40 per cent of median income) was set during the 1960s 'War on Poverty', with the idea that elimination of income poverty in a generation against this absolute line was a modest but achievable goal. After then, it would be time to set a new goal. Some leading scholars predicted that this goal would be achieved by 1980. Yet, the official poverty rate in 1999 was no lower than it was in 1973. The persisting high poverty rate is one reason why the US has felt little pressure to raise its poverty line, even though, in real terms, it has fallen to about one-third of median income.

The US Census Bureau is able to produce income-based measures of poverty within about 10 months. Each March, the Current Population Survey is fielded to a sample of households. For example, in March 2000, respondents were asked to report on their incomes for calendar year 1999. By October 2000, the Census Bureau had analyzed the data and released the official poverty rate for 1999. Deprivation indicators tend to come from external sources and take longer, so it would be better not to combine them, as that would delay reporting on progress.

Overall the objective should be to keep it simple, and look for progress in five years against a hierarchy of measures:

- an absolute line (or maybe one rising slightly in real terms);
- deprivation indicators; and
- only then relative lines which imply a reduction in inequality.

Continental European welfare states have achieved low poverty against relative lines, but he would be wary of using such measures for an 'Anglo-American' economy. It is very hard to have a 'rising tide raising all boats', so it is better to aim to constrain the rise in inequality to be slow. However, if a relative target is to be used, it should be against the median rather than the mean (as the latter is driven to a great extent by the incomes of the very rich).

Session 2: Wider Aspects of Poverty and Social Exclusion

POVERTY: THE OUTCOMES FOR CHILDREN

Jonathan Bradshaw, Social Policy Research Unit, University of York

Introduction

In the early 1990s, long before child poverty became such a prominent issue on the political agenda, the ESRC decided to fund a programme on Children aged 5 to 16. The ESRC programme was focussed on the new sociology of childhood. I had been concerned that although we knew about the increase in child poverty we were doing very little to monitor its effect in Britain (Bradshaw 1990, Kumar 1995, Cornia and Danziger 1996). So I decided to put in a proposal on the outcomes of child poverty. Despite its highly structuralist nature, it got funded. The project consisted of:

- a review of child poverty using the child as the unit of analysis of the Family Resources Survey, the British Household Panel Survey and the Breadline Britain Survey; and
- a comparative analysis of child poverty using the child as a unit of analysis and involving the Luxembourg Income Survey, the European Community Household Panel Survey and OECD data.

The results of this work have been published elsewhere (Whiteford, Kennedy and Bradshaw 1996, Bradshaw 2000, Bradshaw and Barnes 1999, Adelman and Bradshaw (1998)) and the international comparisons have now been overtaken by the recent UNICEF (2000) report.

But there was third part of the project. We sought to establish by review and some secondary analysis of the British Household Panel Survey what had happened to children as a result of the increase in poverty. The results of that work (by chance) have a direct bearing on the *Opportunity for All* indicators.

This presentation draws on the report (Bradshaw (forthcoming in early 2001)) to provide a critical perspective on the *Opportunity for All* indicators for children.

Praise for Opportunity for All

But before I get critical let me emphasise that:

1. I applaud the commitment to abolish child poverty in 20 years;
2. it is a challenge to social scientists to produce a set of criteria against which the anti poverty strategy should be reviewed and we should respond;
3. the criteria proposed in *Opportunity for All* have the merit of going beyond the routine income definitions of poverty;
4. they cover physical, cognitive, behavioural and emotional elements of children's lives; and
5. ten out of the 13 are particularly admirable, because they also focus on outcomes rather than inputs.

So if I am critical in the next section of this presentation it is not just because I am curmudgeonly or mean spirited. It is because I see this as a great opportunity to press forward – towards an *Annual Report on the State of Britain's Children*. I believe that this country needs an agency that cares for children – in the face of social and economic change. Other countries have child ombudsmen, child councils, even child parliaments. We have a mass of ad hoc reports on specific aspects of children's well-being, for example health (see Woodroffe et al 1993, Botting et al (1996)). We have the New Policy Institute's efforts (Howarth 1999a and 1999b). But the only official (fairly) comprehensive review is by the Office of National Statistics with a report (CSO 1994) on children nearly seven years old – and now *Opportunity for All*.

What are the criteria for a good set of indicators?

The following seem to me to be the qualities that a set of indicators designed to monitor the Government's anti (child) poverty strategy should have.

1. They should represent the range of elements of well-being – physical, cognitive, behavioural and mental/emotional.
2. The indicators should be related to poverty.
3. They should major on outcomes (and avoid service activity or input variables).
4. They should be based on existing routinely and regularly collected data (or data which could be collected).
5. The data should be national.
6. It would be really nice if we could use at least some of them to compare how we are doing with other countries (Micklewright and Stewart 1999).

In the light of these criteria my criticisms of the *Opportunity for All* indicators follow.

- They are too narrow in scope – in particular there is too little on physical health, mental health and subjective well-being.
- Not all the indicators are related to poverty.
- They are too (Whitehall) departmentally based – it as if each government department has been asked to nominate two or three measures.
- Some of them are inputs not outcomes.
- There is as yet no source of data for some of the indicators and for some the source is not regular enough.
- The Sure Start indicators are not national.

I will not go through each indicator in turn but I have summarised my specific criticisms in the attached Table. It covers the thirteen child indicators and four child-related indicators included in the indicator for people of working age.

What other indicators of the outcome of child poverty might be considered?

The following is a list of outcomes of child poverty that might be added to the list of *Opportunity for All* indicators. These are all outcomes examined in our review, which are known to have an association with child poverty and for which there is data available at national level.

- Post-neonatal mortality rates.
- Child death rates.
- The class or income differential between both these rates.
- Accidental deaths on the roads and in the home.
- Low birth weight.
- Selected congenital anomalies.
- Self or parental reported chronic illness.
- Some infectious diseases.
- Dental caries.
- Obesity.
- Child neglect and physical child abuse.

- Children in temporary accommodation.
- Satisfaction with neighbourhood.
- Repossessions involving children.
- SDQ scores of children aged 4-15 in the Annual Health Survey of England.
- Self esteem scores for children aged 10-15 in the BHPS.
- GHQ scores of young people aged 16-21 (or more) in the Annual Health Survey of England.
- Mental illness.

In addition to this there are some other indicators that could be included in an index designed to monitor child poverty and which were not included in our review because they are not outcomes.

- Per cent of children in families receiving Income Support/Income related JSA (available from DSS administrative statistics).
- Per cent of children living in wards defined as (say) the 10 per cent most deprived in Britain (available from the Oxford Index 99 group).
- Per cent of wards with more than 50 per cent (say) of children in families receiving Income Support/income related JSA (available from the Oxford Index 99 group).
- Per cent of children in households lacking three or more socially perceived necessities (available along with a host of other poverty/social exclusion variables from the Survey of Poverty and Social Exclusion in Britain (Gordon et al 2000) and which could be made available regularly by incorporating questions into the GHS or FRS).
- Any of the indicators of social exclusion now included in the European Community Household Panel Survey.¹

While there is room to argue about any of these indicators, it is to be hoped that they illustrate that there is room to build on the list in *Opportunity for All*.

1 The following indicators are available in the ECHP:– percentage of children in households dissatisfied with their financial situation; with difficulties in making ends meet; unable to save regularly; who cannot afford three or more basic necessities; whose financial situation has deteriorated since the previous year; with minimum equivalised income required to make ends meet more than 105 per cent of actual income; percentage of couples with children and/or lone parents with three or more housing problems; with financial burdens or debts.

Opportunity for All indicators	Criticisms	Suggestions
<p>1. <i>An increase in the proportion of seven-year-old Sure Start children achieving level 1 or above in the Key Stage 1 English and maths tests.</i></p>	<p>Only concerned with Sure Start areas. Sure Start has begun in an experimental phase and it is proposed that it will eventually be extended to 250 of the most deprived neighbourhoods in Britain. While it is no doubt a good idea to monitor the effects of Sure Start in these areas and these indicators are either Sure Start Public Service Agreements (PSAs) or Output and Performance Analysis (OPAs) indicators, it is surely not right to present them as part of the indicators designed to evaluate a national anti-poverty strategy.</p>	<p>Drop it</p>
<p>2. <i>Health outcomes in Sure Start areas:</i></p> <ul style="list-style-type: none"> - <i>a reduction in the proportion of low birth-weight babies in Sure Start areas;</i> <i>and</i> - <i>a reduction in the rate of hospital admissions as a result of serious injury in Sure Start areas.</i> 	<p>Ditto</p> <p>Ditto</p> <p>Also this is an input – the ‘serious injury’ part is an outcome and childhood accidents are the major cause of deaths in childhood and there is plenty of evidence that deaths from accidents are associated with poverty (though it is less conclusively linked to childhood injuries). However hospital admissions are an input which could vary with local policy (and be manipulated by local practice) as could the definition of ‘serious’. In fact the indicator is defined in the document as emergency admissions during the first year of life with gastroenteritis, respiratory infection or severe injury.</p>	<p>Drop it</p> <p>Drop it</p> <p>It would have been more satisfactory to have chosen infant and childhood mortality and/or deaths from accidents rather than these treatment for morbidity variables. However no doubt the reason deaths were not chosen is that there would have been too few of them in Sure Start areas which, area-wise, are based on the concept of ‘pram pushable distances’.</p>

Opportunity for All indicators	Criticisms	Suggestions
<p>3. <i>An increase in the proportion of those aged 11 achieving level 4 or above in the key stage 2 tests for literacy and numeracy.</i></p>	None	None
<p>4. <i>A reduction in the proportion of truancies and exclusion from school.</i></p>	<p>There is reason to be anxious about the reliability of the data on school exclusions and truancies. School exclusions effected only 0.16 per cent of pupils in 1997/8 and only 0.7 per cent of half days were missed per year through unauthorised pupil absence. These very small numbers are likely to be highly sensitive to changes in recording – upwards or downwards.</p> <p>There is also rather weak evidence of the association between school exclusions and poverty.</p>	Drop it
<p>5. <i>An increase in the proportion of 19-year-olds with at least a level 2 qualification or equivalent</i></p>	None	None

Opportunity for All indicators	Criticisms	Suggestions
<p>6. <i>A reduction in the proportion of children living in workless households, for households of a given size, over the economic cycle.</i></p>	<p>There is no doubt that the increase in worklessness in Britain has been associated with the increase in child poverty and that our comparatively high levels of worklessness are a reason for child poverty being higher here than elsewhere. However worklessness is an input, a cause of poverty rather than an outcome of poverty. It is also not inevitably associated with poverty – in other countries the children of workless lone parents and couples do not live in poverty because their social protection systems protect them from poverty. Furthermore there are very substantial proportions of poor children whose parents are not workless. Adelman and Bradshaw in their analysis of the 1995/6 Family Resources Survey found that 13 per cent of poor children (living in families with equivalent incomes below half national average after housing costs) had one earner and a few even had two earners. These proportions may now have fallen as a result of the introduction of the minimum wage, Working Families Tax Credit, Child Care Tax Credit and real increases in Child Benefit but the point remains – employment does not guarantee movement out of poverty and employment is never going to be the only way to abolish child poverty.</p> <p>There are also reasons to question this indicator in its own right. Estimates are to be derived from the Labour Force Survey and/or the Family Resources Survey.</p>	<p>A better and more up to date indicator of the same thing could be administrative data on the numbers/proportions of all children living in families receiving Income Support/Income Tested Job Seekers Allowance. The numerator is available with little or no delay from the DSS and the denominator is obtainable simply from the Child Benefit register. All families receiving Income Support are workless, or virtually workless given the earnings disregards, and none of them have capital or other resources (while some of the workless do). Furthermore thanks to the work of the Oxford Social Deprivation Research Unit this indicator is now part of the DETR's Index of Deprivation and available at district, ward and enumeration district level.</p>

Opportunity for All indicators	Criticisms	Suggestions
<p>7. Low income indicators:</p> <ul style="list-style-type: none"> a. a reduction in the proportion of children in households with relatively low incomes; b. a reduction in the proportion of children in households with low incomes in an absolute sense; and c. a reduction in the proportion of children with persistently low incomes. 	<p>They are all input indicators but they are obvious candidates in any index of poverty and social exclusion – though they are not available at as local a level as benefit claiming data is.</p>	<p>None</p>
<p>8. A reduction in the proportion of children living in poor housing.</p>	<p>This is (arguably) an input rather than outcome measure but there is no doubt that poor housing has an impact on all sorts of elements of children's well-being. However there are questions to be asked about whether this (and 9 below) are the best indicators of physical well-being available. Estimates of the proportion of children living in poor housing are available from the English House Conditions Survey but the data is only available every five years! Furthermore, in 1996 only 13 per cent of children were living in houses that were unfit or in substantial disrepair or requiring essential modernisation, and that proportion had hardly changed between 1991 and 1996. So as well as having to wait five years to observe the trend, the trend may not be a particularly sensitive indication of well-being.</p>	<p>An additional and perhaps better indicator that could be used is the incidence of homelessness among children and young people and/or the number of households with children in temporary accommodation. This was included as one of the 'Milestones' in the Scottish version of <i>Opportunity for All</i>. (http://www.scotland.gov.uk/library2/doc07/sjtd-02.htm).</p>

Opportunity for All indicators	Criticisms	Suggestions
<p>9. A reduction in the proportion of households with children experiencing fuel poverty</p>	<p>Ditto to the above – an input measure collected every five years.</p> <p>The English House Conditions Survey is also the source of data on the proportion of families with children who need to spend more than 10 per cent of their incomes to achieve a satisfactory heating regime (21 degrees C in the living rooms and 18 degrees C in the other occupied rooms). In 1996 11 per cent of lone parents and 6 per cent of couples with children experienced fuel poverty.</p>	<p>It would be possible to obtain a more regular estimate of the proportion of households with children spending more than a certain percentage of their income on fuel from the Family Expenditure Survey, though this would not include the cold conditions element of the indicator.</p>
<p>10. A reduction in the rate at which children are admitted to hospital as a result of an unintentional injury resulting in a hospital stay of longer than three days.</p>	<p>This is associated with an <i>Our Healthier Nation</i> target to reduce the rate of serious injuries from accidents and it is the national equivalent to indicator 2(b) covering the Sure Start areas. Some of the same criticisms apply. Thus hospital admissions and the length of them are an input and might vary over time and in different geographical areas according to policy and treatment regimes.</p>	<p>It might have been better to have chosen the child mortality rate due to accidents as a more precise indicator of serious accidents, not least because it appears to be more closely associated with poverty than injuries. Or, to refine it even further, it might have been better to have chosen child deaths from traffic accidents or accidents in the home which are the two most clearly associated with poverty.</p> <p>There are a number of other indicators related to physical health which might have been considered including infant mortality, child deaths, low birth-weight births, the prevalence of some congenital anomalies, self (or parental reported) chronic illness, some infectious diseases, the prevalence of dental caries, obesity – all associated with poverty and all available from national sources on a regular basis. The absence of more health indicators in this list is surprising – given the <i>Acheson Report</i> and the <i>Our Healthier Nation</i> targets. The Scottish Milestones included reductions in the proportions of women smoking during pregnancy, the percentage of low birth-weight babies, dental decay among 5 year olds and increasing the proportion of women breastfeeding.</p>

Opportunity for All indicators	Criticisms	Suggestions
<p>11. A reduction in the proportion of 16-18 year olds not in education and training.</p>	<p>It is an input measure – and one which includes those who are in employment (and not poor).</p>	<p>Drop it</p>
<p>12. An improvement in the educational attainment of children looked after by local authorities.</p>	<p>Three quarters of care leavers are estimated to leave school with no qualifications and the DoH PSA contains a target to increase that by at least 50 per cent by 2001 and by 75 per cent by 2003. This is a cognitive outcome for a very vulnerable group of young people for whom the state has a particular obligation and where there is evidence that it has miserably failed in the past. However the DfEE and the DoH have not yet decided how they are going to collect this information.</p>	
<p>13. Teenage pregnancy: a reduction in the rate of conceptions for those aged under 18 and an increase in the proportion of those who are teenage parents, in education, employment and training.</p>	<p>This is an objective of the Social Exclusion Unit report <i>Teenage Pregnancy</i>. The teenage pregnancy rate includes those that eventually end in abortion. Abortion, and access to abortion, are policy inputs which can be manipulated. It is arguable that it would have been better to have selected the teenage birth rate, or the proportion of teenage pregnancies which end in births. However it is a behavioural outcome and an obvious candidate for any index.</p>	<p>Use teenage birth rate or the proportion of teenage pregnancies that end in abortion.</p>

Opportunity for All indicators	Criticisms	Suggestions
20. <i>A reduction in the number of people sleeping rough.</i>	Rough sleeping is a problem of (poor) young people but there are major difficulties in counting rough sleepers.	
21. <i>A reduction in cocaine and heroin use by young people.</i>	This addiction indicator specifies young people, but there is little evidence that there is an association between cocaine and heroin use and poverty, and the proportion of young people using these opiates is roughly only one per cent.	Drop it
22. <i>A reduction in adult smoking rates in all social classes.</i>	There are good sources of data on child smoking (and alcohol consumption) but little evidence that it is associated with poverty – at least among children.	Drop it
23. <i>A reduction in the death rates from suicide and undetermined injury.</i>	Suicide is a serious problem for young people (men) and appears to be associated with unemployment. But the data is very unreliable.	

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MEASURING WIDER ASPECTS OF POVERTY AND SOCIAL EXCLUSION

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Introduction

This paper considers whether the current approach of adopting a range of indicators to monitor poverty and social exclusion is appropriate, suggests a rationale for deciding which indicators should be included and observes some of the constraints imposed on the current approach because of the limitations of existing data.

A single measure or group of measures?

There is a range of indicators of poverty and social exclusion set out in the Government's annual poverty report *Opportunity for All*. This is important for a number of reasons.

- Poverty is normally defined in terms of a lack of material resources, especially income.¹ But it is often difficult to unravel the impact of poverty from that of deprivation or social exclusion. Deprivation indicators normally encompass a wider lack of material resources, including services and amenities. Social exclusion is often defined as the inability to participate effectively socially, politically and culturally.²
- The limitations of the income measure of poverty – its failure to accurately measure household poverty, for example – necessitates a broad range of measures in order to capture poverty and social exclusion effectively.
- A broad range of measures allows you to monitor some preventative issues (e.g. early development, education achievement, teenage pregnancy) which capture the risk of poverty/social exclusion, as well as evidence of poverty or social exclusion itself.
- Measurement of poverty on income alone is difficult to sustain politically – it can be too easily dismissed where a wide range of measures cannot.

On the other hand a single indicator is appealing because of clarity. A headline or priority indicator is needed in order to monitor progress towards meeting the pledge to eradicate child poverty by 2020. In the absence of any other headline measure the Households Below Average Income measure will be used by politicians, the media and others as the principal measure of progress towards reducing poverty.

The strongest contender for the headline indicator is an income poverty measure – since this is likely to capture poverty and social exclusion most effectively. But

1 Eg Oppenheim, C (1998) Poverty and social exclusion: an overview, in Oppenheim, C (ed) *An Inclusive Society: strategies for tackling poverty*, IPPR.

2 Eg Room, G (1995) *Beyond the threshold: the measurement and analysis of social exclusion*, The Policy Press.

consideration needs to be given as to whether it is possible to find a better measure than the HBAI one currently used and whether a measure can be found which captures wider experience of deprivation. It is worth considering whether it might be possible for the headline indicator to be comprised of a series of measures – in the way the Breadline Britain measure does. It would also be advantageous to have a headline measure that is internationally comparable.

The headline indicator would need to be supplemented by other measures in order to capture broader aspects of deprivation and social exclusion.

Which aspects of poverty, deprivation and social exclusion should we monitor?

It is important to establish a clear rationale to determine which measures are included and which are not. Accepting that it would not be possible to monitor every aspect of poverty meaningfully, there should at least be justification for the preference of monitoring certain aspects of poverty over others.

In trying to prioritise indicators it might be constructive to consider a spectrum of intensity of well-being: at one extreme you have acute income poverty and at the other you have aspects of well-being associated with the majority of the population (e.g. lack of clean air).

Measures of poverty and social exclusion should be somewhere between income poverty and well-being but focused on the 'bottom end' – in other words, the measures should reflect concern about where there are *unacceptable differences* in living standards and opportunities. There is a good case for well-being indicators informing the policy process – as they are in the DETR's sustainable development strategy, for example. But measures of general well-being should not be confused with measures of poverty.

On this categorisation there are some measures in *Opportunity for All* which are currently too 'well-being' orientated. They include:

- an increase in the proportion of older people being helped to live independently;
- an increase in healthy life expectancy to age 65; and
- a reduction in the proportion of older people whose lives are affected by fear of crime.

There are also a number of other areas where there are unacceptable differences in living standards which are not currently reflected in the indicators:

- quality of employment and job insecurity;
- access to services and amenities;
- non-participation in civic organisations/participation in local decision making;

- debt/or some measure of lack of assets/savings;
- home insecurity (eg temporary accommodation, mortgage arrears);
- physical environment (eg access to clean, safe spaces);
- health inequalities (including child accident mortality/injury); and
- area based data: gap between rural and urban areas, north and south.

Of these, some are stronger poverty/deprivation indicators than others.³ For example, children in the lowest socio-economic group are over four times more likely to be killed as pedestrians than their counterparts in the highest socio-economic group⁴ and this inequality has increased during the past 20 years.⁵ To establish a group of priority indicators from both the above list and the existing indicators in *Opportunity for All* it will be important to consider:

- (i) the strongest predictors of poverty/deprivation;
- (ii) a range of types of indicators to capture deprivation/social exclusion; and
- (iii) the possibility of updating a list of indicators to allow inclusion of new indicators in the future in light of emerging problems (e.g. lack of access to the internet?).

Arguably the most important poverty measure is whether people *feel* less poor. The only way of knowing this is to involve the community in monitoring progress, both by consulting communities about which aspects of anti-poverty action they would prioritise and then testing whether progress is made in those areas. The Government might consider involving the public in the development of the indicators, as has been recommended elsewhere.⁶

Data quality issues

One of the current constraints on measuring progress on poverty reduction is the data itself. There are three problems associated with the data on which the indicators are based.⁷

- Out-of-date data:
 - only three of the indicators were based on data up to 1999. Only the indicators relating to literacy/numeracy, working age employment and working age qualifications were based on up-to-date data;

³ Some e.g. participation measures, currently lack sufficient data.

⁴ Christie, Nicola (1995) *Social, economic and environmental factors in child pedestrian accidents: a research overview*. Transport Research Laboratory report no. 116

⁵ Roberts, I and C. Power (1996) Does the decline in child injury mortality vary by social class? A comparison of class specific mortality in 1981 and 1991. *British Medical Journal*, 311, 784-86.

⁶ Bennett, F & Roche, C (2000) Developing indicators: the scope for participatory approaches, *New Economy*, March 2000, Volume 7, 1, 24-29.

⁷ All these points refer to the data used for the first Annual Report. Some improvements were made for the indicators presented in the Second Annual Report – in terms of both the timeliness and availability of the data – but the key problems outlined here still remain.

- one in four of the indicators relied on data that was three or more years out of date. Because of this some policies which will have had an impact on poverty – such as the Minimum Wage and the Working Families Tax Credit – had no effect on the indicators. Given this time lag in data collection, the impact of the Working Families Tax Credit will not show up until 2002 and the impact of the new stakeholder pension (due to be introduced April 2001) will not show up until 2004.
- Incomplete data:
 - for five of the 32 indicators there was no existing baseline data;
 - well over half (19/32) of the indicators related to England only and only six of the indicators are based on UK data. The income data is Great Britain only.
- The national data is not joined-up with local data:
 - the national poverty indicators were not developed in line with the data collated for the purpose of informing the distribution of regeneration funding, despite the fact that they broadly seek to capture the same problems. Should poverty data be brought together with regeneration data to ensure that national data is collated and acted upon locally? Notwithstanding the difficulties associated with collating some of the national data (such as households below average income data) at a local level, it would make sense to bring national and local poverty data closer together. For example, the Index of Local Deprivation has an 'access to services' measure which is currently missing from the national picture.

As the Government's anti-poverty strategy has gained greater political priority, the need for up-to-date and accurate data to measure progress has increased.

Conclusion

In conclusion, the Government's adoption of a range of poverty/social exclusion measures is welcome but there needs to be:

- consideration of what should be the main headline measure;
- the establishment of a rationale for the inclusion (or not) of supplementary indicators. Here it is suggested that broader measures of well-being affecting the majority of the population should not be included but that those indicators that demonstrate unacceptable differences should be prioritised;
- improvements made to the data collection and analysis process for those indicators that are chosen.

Session 3: Overall approaches to monitoring success

SUMMARY MEASURES OF CHILD WELL-BEING

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Introduction

It can be difficult to gain an accurate impression of whether children's well-being is improving or deteriorating, even where there are regular reports and monitoring systems in place. For this reason, some authorities favour index-type measurements, including composite measures for countries or states based on change in a number of key variables. Campaigners wanting to improve the outcomes for children often argue that a summary measure of children's well-being for the UK could help to focus attention on how children are doing. It is argued that creating a measure which could be regularly reported alongside widely accepted economic indicators such as the FTSE index could encourage greater public concern about children and their well-being, and help to generate stronger political support for policies to reduce child poverty. This short paper discusses briefly some of the advantages and disadvantages of such an approach, compared to other reporting systems on children, highlights the issues which need to be considered in designing such a measure, and considers some examples from abroad.

The policy context

While child well-being has historically been a focus for social policy interventions, and all developed countries have a range of data which can be used to measure child well-being (including vital statistics, administrative statistics and primary research on children and young people), recent policy interest and developments in the systematic monitoring of child well-being have been stimulated by two main issues. The 1989 UN Convention on the Rights of the Child imposed a new set of reporting requirements on national governments, and the process of meeting these requirements has encouraged many governments to improve their national reporting systems (although many of the reports for the UN contain little data on child outcomes, being primarily concerned with issues such as the legal rights of children). There was also a continuing debate amongst academics and welfare professionals during the 1980s and 1990s about the effects of recession and public expenditure cuts in child well-being. This has been given a sharper edge by the UN Convention and by increasing interest in children as independent social actors. In the UK, the election of a Labour Government in 1997, the subsequent adoption of a pledge to end child poverty, and the implementation of an anti-poverty strategy with its own annual reporting framework, has heightened interest in ways of monitoring and measuring outcomes for children.

Advantages of summary measures

As noted above, an index showing how well children are doing may be more effective than a long and complex report in gaining the attention of the media and the public. Summary measures of child well-being can facilitate comparisons between different countries and different areas within countries, and draw attention to the outcomes of poverty and inequality. The UN Human Development Index (covering literacy, life expectancy and educational enrolment) is one example of an established and highly effective measure, which demonstrates the outcomes of economic and social deprivation, and highlights the gulf between outcomes for children in richer and poorer nations, but is less effective in differentiating between countries in the developed world (<http://www.undp.org/hdro/indicators/html>). Many of the issues facing children in developing countries are different from those in industrialised countries. The increasing prosperity of developed countries has been argued to result in a declining significance for traditional indicators such as mortality rates (although the large differentials in mortality rates for deprived and wealthier areas suggest that these still have explanatory power), while the so-called 'new morbidity' has led to a need to measure other negative outcomes, such as teen suicides, drug use, road traffic accidents and so on (De Winter, 1997, Bradshaw, 2001). More positively, a growing awareness of children as independent social actors, and a concern that wealthier nations should be concerned with quality of life issues for children, rather than mere survival, has led to interest in measuring beneficial aspects of children's development and experience (Ben-Arieh and Wintersberger; Moore, 1997). Summary measures can also be used as diagnostic tools, where research has indicated threshold levels of risk or risk avoidance, whether to guide professional practice in individual cases, or as a tool for policy makers intending to target measures on certain areas. The 'healthy birth index' and 'birth risk index' discussed below are examples of this type of measure.

Disadvantages of summary measures

An index which covers only a small number of items is easier to interpret and more readily accessible to the general public than a detailed report, but may present a partial and misleading picture of children's well-being. A more complex index, covering both different domains (such as health, educational outcomes) and different age groups (according to established developmental stages) may provide a more subtle measure of outcomes, but can be difficult to interpret and may be less readily understood by the general public. It will also reduce the extent to which it is possible to make comparisons with other countries or areas, since even where data on the same issues is held, there are likely to be differences in definitions which limit comparability (Micklewright and Stewart, 1999). It can also be difficult to know how to weight the items in a composite index, for instance where there is a fall in child mortality rates, but a rise in childhood disability. It is also necessary to take account of the population base of areas being compared, especially where there are known associations between demographic factors (such as age and partnership status) and certain outcomes. Few existing measures actually take account of these issues. Although there is a large literature on the construction of summary measures, all too often indices are constructed in an *ad hoc* way, according to the types of information which are readily available, or the policy interests of the actors involved in establishing them (Phillips and Love, 1997). It should also be said that although

certain outcomes have established associations with poverty, the causal mechanisms are by no means well understood, so that generating improvements in outcomes may be a complex and time-consuming process. For instance, in the US, policies aimed at increasing take-up of antenatal care amongst poor mothers have been seen as a simplistic and ineffective response to evidence of the links between poor birth outcomes and poor use of antenatal care, since both were in fact symptomatic of underlying problems which required more fundamental change (Hauser et al., 1997). The apparent intractability of certain problems may also create political disincentives to the adoption of monitoring instruments, since no Government wishes to draw attention to failure.

Approaches adopted elsewhere

The UNICEF Index of Social Health (Table 3.1) is a simple measure intended to maximise comparability across countries. It compares countries on the basis of two outcomes (rates of infant mortality and teen suicide) and two measures of policy input (public expenditure on education and income distribution). Because countries vary so much in their demographic and economic circumstances, this measure is used not to compare countries with each other, but to measure countries against their own past performance. By contrast, the 'Kids Count' index, developed by the Annie E. Casey Foundation (Table 3.1) has been developed specifically to enable rankings to be made between states in the US. It consists of ten items, seven of which are outcome measures, and three of which relate to household circumstances. In reaching a composite ranking, each item on the index is treated as having equal weight. Annual rankings are published both for the individual indicators and based on the composite index (<http://www.aecf.org/kidscount/kc1999>). These are presented together with a more detailed report on each state, which provides a social and economic context against which its performance can be evaluated.

Table 3.1: Two simple summary measures

UNICEF Index of Social Health

- Infant mortality.
- Public expenditure on education.
- Teen suicides.
- Income distribution.

'Kids Count' Ranking Index

- Low birth weight (under 5.5 lbs).
- Infant mortality.
- Child mortality.
- Teen mortality from accidents/homicide/suicide.
- Teen births.
- Teen high school drop-out.
- Teens not in school or employment.
- Parents not in full-time, year-round work.
- Living in poor household.
- Living in household headed by lone parent.

Source: *Kids Count Data Book*, Annie E. Casey Foundation

In New Zealand a range of measures has been benchmarked as part of a strategy to improve outcomes for families experiencing multiple and persistent disadvantage (see Table 3.2). These 22 measures include policy inputs, outcomes, and risk factors, and in common with many similar reporting frameworks are concerned mainly with negative indicators. There is also a concentration of measures relating to young children and to teenagers, but very little data for children aged 7 to 14. The 22 indicators are not presented as a summary measure, but targets have been set to reduce them over a 5- and 10-year period, with a concentration on six indicators which are seen as a priority; under-five mortality, abuse and neglect renotifications (age 0-6), the proportion of 3-years-olds in education, abuse and neglect renotifications (age 7-16), teenage fertility (live birth to girls aged 13-17) and the proportion leaving school with a formal qualification. Two measures relating to involvement with the police, for teenagers, were added in 1998, in response to a perceived need for data.

Table 3.2: New Zealand 'Strengthening Families' Target Measures

Indicator (** priority indicator)	Baseline (1995 or nearest date)	2000 target target	2010 target
Road traffic deaths per 100,000 (age 15–19)	31	25	not established
Youth suicides per 100,000 (age 15–19)	38.9 (M) 6.3 (F)	33 (M) 5.4 (F)	29 (M) 4.7 (F)
Hospital injury discharge rate per 100,000 (age 15–19)	2,517	2,100	1,770
Abuse/neglect renotifications per 1,000 (age 7–16)**	11.68	75% baseline	50% baseline
Live births per 100,000 females (age 13–17)**	1121	1090	975
Percentage smoking tobacco (age 18–24)	34.2	22	19
Drug/alcohol risk behaviour	not established	not established	not established
Serious/repeat offending per 1,000 (age 10–16)	13.76	80% baseline	65% baseline
Offenders under 16 dealt with by police	44,654	not established	not established
Prosecutions of people under 16	4,798	not established	not established
Percentage leaving school with formal qualification**	81.9	84	90
Infant mortality (per 1,000 live births)	6.7	5	4
Under-five mortality (per 1,000 live births)**	8.3	7	5
Hospital injury discharge rate per 100,000 (age 0–4)	2,401	2,040	1,680
Abuse death rate per 100,000 (age 0–14)	1.23	1.0	0.8
Abuse/neglect renotifications per 1,000 (age 0–6)**	9.08	80% baseline	50% baseline
Out-of-family placements (age 0–16), number of bednights	375,000	95% baseline	75% baseline

Table 3.2 cont.: New Zealand 'Strengthening Families' Target Measures

Indicator (** priority indicator)	Baseline (1995 or nearest date)	2000 target	2010 target
Percentage of pregnant women smoking	33	20	18
Birth weight under 2,500 grammes (per 1,000 live births)	59	57	55
Percentage of children entering school with hearing loss	8.3	5	4
Percentage of children aged two with completed immunizations	56	95	95
Percentage of children age three in early education**	79.9	84	90

(Source: New Zealand Department of Social Welfare, 1998)

Looking at the range of indicators highlights some issues which are common to most attempts to create a comprehensive measure of child well-being. For one thing it is not fully comprehensive, either in its age range (as noted above) or in terms of the topics covered (insufficient data is available on issues such as ethnicity and eating disorders, which primary research or local data have shown to be important). Some indicators (such as prosecution rates, abuse/neglect renotifications and out of family placements) are highly susceptible to policy changes, and could demonstrate large differences without these necessarily being related to any actual change in outcomes for children. At the same time, the most objective and valid indicators (such as death from child abuse) are difficult to use because their low rates of incidence make it difficult to track change, especially at regional or local level.

In the USA, there are annual reports on children at a national level. These are presented in two formats; a simple version with 25-30 indicators and a more detailed version with over 80 indicators aimed at child welfare professionals (Table 3.3 shows the latest indicators for the 'short' version). In contrast to the New Zealand document, there is no attempt to benchmark outcomes or to aim for a particular rate on any one indicator, as the reports are not linked into a specific strategy. However, they do present a wide range of very detailed information and in a clearly understandable fashion. For instance, the indicators concerned with economic security (and thus 'input' rather than 'outcome' measures) are grouped together, as are health, and education outcomes, making the results clear and easily accessible to the public and related to specific areas of policy concern. There are detailed breakdowns by age, by race and by gender, so that there is some context in which to interpret the results. However, only one indicator is presented specifically in terms of its relation to poverty status. Problems linking readily available administrative data and vital statistics with poverty data obtained from surveys, and often after a considerable

time-lag, means that few countries are in a position to report outcome measures in relation to poverty rates. Presenting child poverty rates is even more problematic, since the structure of some surveys makes it impossible to use the child as the unit of analysis.

Table 3.3: America's Children Indicators – 'short' version

Economic security

- Percentage of children (under 18) in poverty.
- Percentage of children experiencing food poverty.
- Housing problems in families with children.
- Percentage of children with one parent in year-round, full-time work.
- Percentage of children covered by health insurance.

Health

- Percentage of children in good or excellent health.
- Mother receiving early prenatal care, by race.
- Infant mortality, by race.
- Low birth-weight, by race.
- Completed immunisation 19-35 months, by poverty status.
- Percentage of children aged 5-17 who are disabled.
- Mortality rate age 1-4 and 5-14, by race.
- Mortality rate age 15-19, by race and gender.
- Motor vehicle and firearm injury death rates age 15-19, by race and gender.
- Birth rate, females 15-17 years.

Behaviour and social environment

- Percentage of students reporting daily smoking in last 30 days.
- Percentage of students drinking alcohol twice or more in last 30 days, by grade.
- Percentage of students reporting use of illicit drugs in last 30 days.
- Teenage victims of violent crime, by gender.

Education

- Percentage of those aged 5-17 who don't speak English at home, and have problems speaking English.
- Percentage of those aged 3-5 read to every day, by mother's education.
- Percentage of those aged 3-4 in nursery or centre-based day care.
- Maths proficiency scores, age 9, 13 and 17 years.
- Reading proficiency scores, age 9, 13 and 17 years.
- Percentage of those aged 18-24 who have completed high school.
- Percentage of those aged 16-19 neither in education or employment.
- Percentage of those aged 25-29 with Bachelor's degree or higher, by race.

The final example to be presented here is an example of a measure which can be used in a variety of ways; as a reporting measure, as a diagnostic tool, and as an aide to targeting policy. It consists of a healthy birth index, a birth risk index, and a measure which combines the two, developed by the Annie E. Casey Foundation in the USA (Table 3.4). One advantage of this type of measure is that it is based on established risk factors, which have credibility with professionals, and are specific to one area of policy and practice. The index can be simply presented to the public as a

unitary measure, but is readily understood and interpreted because of the familiarity of the items included and their limited number. In addition, although there is no sophisticated weighting, the range of items selected provides a balance between the different factors involved. Thus a birth to a single mother under 20 who has fewer than 12 years of education is seen as likely to create some risk factors for the child, while a birth to an older unmarried mother, with at least 12 years of education, is viewed as only marginally likely to give rise to risk.

Table 3.4: Key indicators for health in birth

Healthy birth index

- Weight of at least 5.5 lbs.
- 5-minute Apgar score of 9 or 10.
- Gestation of 37 weeks or more.
- Prenatal care started in first trimester.

Birth risk index

- Mother under 20 years of age.
- Mother unmarried.
- Mother has fewer than 12 years of education.

Risk indicators for health at birth

- Mother under 20 years of age.
- Second or subsequent birth to teen mother.
- Mother unmarried.
- Mother has fewer than 12 years of education.
- Little or no prenatal care.
- Mother smoked during pregnancy.
- Weight under 5.5 lbs.
- Gestation under 37 weeks.

Source: Davis et al., 1999, *The Right Start*

It will be clear even from looking at the limited number of examples above, that there has been a great deal of work on indicators of child well-being over the past five to ten years, and while there is no single example of best practice, there are many examples of good practice which can guide future work in this area. Table 3.5 presents a summary of the ideal criteria for designing indicators, highlighting the importance of both comparability over time and sensitivity to developing trends, and noting the need for a level of sophistication able to take account of differences in age and culture, and differentiate between the depth, breadth and duration of spells in poverty and other adverse life situations.

Table 3.5: *Criteria for Indicators of Child Well-Being (Moore, 1997)*

- Comprehensive coverage.
- Measure depth, breadth and duration.
- Age-specific, including transition to adulthood.
- Clear and comprehensible.
- Positive outcomes.
- Cross-culturally valid.
- Consistent over time.
- Anticipate future trends.
- Methodologically rigorous.
- Geographically detailed.
- Cost-efficient.
- Reflective of social goals.
- Adjusted for demographic trends.

Conclusion

Although there are some obvious advantages to the adoption of summary reporting measures on children and their well-being, it is clear that they also have a number of limitations which mean that they are not a substitute for other methods of reporting on child well-being, such as annual reports. There are strong arguments for limiting the contents of any summary index to objective indicators if it is to provide a valid measure of real changes in outcomes. Summary measures which are adopted need to be sufficiently complex to take account of the needs of children at different developmental stages, and sufficiently clear to be of obvious relevance to the public and to policymakers. Rather than aim for the 'holy grail' of a single measure of how children are doing, it may be better to concentrate on developing sensitive and valid indicators for specific policy areas and particular developmental stages.

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SHOULD THE UK GOVERNMENT MEASURE POVERTY AND SOCIAL EXCLUSION WITH A COMPOSITE INDEX?

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Introduction

I don't think anyone would seriously suggest that progress in realising the UK Government's commitment to reduce poverty and social exclusion should be measured only by a composite index – a single number summarising all aspects of these two problems. At best, an index could complement the presentation of a range of separate indicators and my comments on the subject of indices should be interpreted in this light.

What do I understand by a 'composite index'? I take this as the combination of a variety of aggregate level indicators of different dimensions of well-being typically (but not necessarily) based on different data sources. For example, an index could be constructed to summarise an aggregate level of income (e.g. average income or the percentage of persons classified as poor), a measure of health (e.g. life expectancy) and a measure of educational attainment (e.g. the proportion of the population having reached some minimum level of qualifications). Note that this conception of a composite index differs from one where the combination is at the level of the individual, as with a principal target indicator in the Irish Government's National Anti-Poverty Strategy (NAPS). (See the contribution to the seminar report by Brian Nolan, and Nolan 1999.) An individual under the NAPS target is counted as free of poverty if income is above a certain level *and* the individual is not 'deprived' according to non-income indicators. In this case an index of sorts is in effect constructed for an individual with data on different dimensions of well-being that must come from the same source.

I look in turn at the case for and against the use of a composite index before concluding on the need for some form of summary presentation of the data in the Government's annual report on poverty and social exclusion, whether in index form or not.

Advantages of an Index

There are at least two obvious arguments for the use of an index to measure progress in reducing poverty and social exclusion.

First, like any index, an index of poverty and social exclusion would *summarise*, avoiding the problem of 'fuzziness' of multiple indicators (see the contribution of John Hills). With the publication of the *Second Annual Poverty Report* (DSS 2000), the Government is now monitoring as many as 40 different indicators and has signalled its attention to add several more to the list. A total of 34 are listed by number in the report but the low-income indicators for different age groups are each composed of three sub-indicators: (a) low household income in the relative sense, (b) low income in an absolute sense and (c) persistently low income. And none of these sub-indicators are uniquely defined: results in the report are presented with various

thresholds for both relative and absolute poverty and with resources defined both before and after housing costs – so that there are in effect a total of 26 low income measures for each age-group. Such a large number of indicators reflects an admirable concern for many different aspects of societal well-being and, in the case of the low income indicators, for the sensitivity of results with respect to definition, but it does not allow for a clear picture to emerge.

How can one use these indicators to come to some overall judgement of whether 'things have got better' or worse from one year to the next? The Government itself does not provide any clear summary of what the indicators as a whole tell. (The summary of progress at the start of the first chapter of the second report draws selectively on the listed indicators and blends into its presentation figures on government spending, information on policy, and changes in other indicators not in the list of 34, e.g. the number of children in families claiming out of work benefits.) Lacking this, the temptation for the reader may be to simply count the number showing progress and the number showing regress – which is of course just an example of a very crude index. In other words, if the Government itself does not summarise the indicators systematically then users may do so anyway, and in a way that might or might not make sense.

This brings me to the second advantage of presenting an index – that of *communication*. 'One number' inevitably gets a lot of attention. Were the Government to produce an annual index of poverty and social exclusion it is unquestionable that it would generate a great deal of public interest. For a Government that is so committed to getting its messages across, an index provides one obvious possibility for increasing public awareness of the problems faced by less-advantaged members of society. In the absence of a summary quantitative measure of progress, as provided by an index, the danger is that none of the 40+ current indicators gets sufficient attention (they are all 'lost in the fuzz') or that excessive attention is focused on those covering just one dimension of well-being, e.g. the income indicators.

In considering these twin attractions of indices, it is useful to bear in mind the most obvious example of where an index of well-being has been used to great effect, the United Nations Development Programme's 'Human Development Index' (HDI). The HDI is a simple average of separate indices for GDP per capita (in PPP US\$), life expectancy and educational attainment. Published each year in the UNDP's *Human Development Report*, the HDI and its various derivatives (the Gender Development Index, the Gender Empowerment Measure and the Human Poverty Indices) certainly both 'summarise' and 'communicate'. The HDI has many critics, with criticisms based in part on the disadvantages of indices described below, but it would be hard to deny that it has both played an important role in summarising the state of human development across the world's nations and been a very effective communication device, achieving a great deal of public attention for development issues. For many people not working in the field of development, the HDI and the rest of the *Human Development Report* may be their only knowledge of the UNDP's work.

It is important to note that the HDI has always been seen by its proponents as only the starting point for debate on the progress of human development – as a device to catch the eye and force attention on what lies behind the rankings, i.e. on the separate indicators that go into its construction. Amartya Sen recounts how he was originally a sceptic when confronted with the enthusiasm of the creator of the *Human Development Report*, the late Mahbub ul Haq, for the use of a composite index. But

he was converted when he saw the power of the HDI to channel public interest into the different dimensions of well-being covered by the report and away from the default of falling back on GNP as a summary measure of development (UNDP 1999, p23).

The HDI is arguably most effective when used to summarise differences among countries rather than differences across time. (Continual revisions to the data and the methodology and emergence of new countries – as in the splitting apart of the former USSR – means that the changes over time in a country's HDI value and rank may not always be informative.) The analogy with an index's use in the UK might be to summarise differences in living standards among *regions*, something that may be of increasing interest with the current process of devolution and of course the ever-present debate on North-South differences within the country. (This would not be without its problems. As the Office for National Statistics comments: 'It is often quoted that the United Kingdom is subject to more boundary change than the rest of Europe put together – and this degree of change causes real problems in producing comparable statistics over time' (ONS 2001), although this is presumably a much bigger problem with smaller geographical units than the region).

But there is also an obvious use for geographic comparison at the national level as well. One result of the March 2000 European Council meeting in Lisbon should be that more attention is forced onto EU-wide comparisons of living standards, as part of the European Union's commitment to combat poverty and social exclusion among its members. Indices may be one tool to use in making these comparisons, and not one that should be necessarily left to EU institutions alone, such as Eurostat. The UK might not emerge very well from such a comparison at present. Taking the UNDP Human Poverty Index 2 (HPI-2), the index from the UNDP stable that is intended to measure disadvantage in rich industrialised countries (as opposed to average living standards in all countries), the UK came 11th out of 12 EU countries for which calculations were made in the 2000 *Human Development Report* (in front only of Ireland) and 16th out of 18 OECD countries (UNDP 2000, p172). (For a comparison of child well-being in the UK with that in other EU members see Micklewright and Stewart 2000, although separate indicators are not aggregated into an index.)

HPI-2 is a function of the percentage of the population who die before the age of 60, the percentage who are 'functionally' illiterate as defined by the OECD, the percentage living in households with income below 50% of the median, and the percentage long-term unemployed in the labour force. Although they may do so only crudely, these four indicators are explicitly intended to capture multiple dimensions of poverty (the first three) together with social exclusion (the fourth) (UNDP 1998, p27), the same purpose as the indicators in the UK Government's annual report.

Disadvantages of an Index

The objections to the idea of calculating a composite index of poverty and social exclusion are put simply: such an index would (a) summarise too much and in doing so (b) communicate less than the separate indicators of each dimension of well-being, with (c) results being sensitive to the arbitrary choices that have to be made on the method of the index's construction – including the elements to be included.

The risks of summarising too much and communicating little are obvious ones. There are at least two aspects of this. First, the merging of data on separate dimensions of

well-being. Imagine that there is little change in the value of an index from one year to the next. This might be despite a worsening in one dimension of well-being, e.g. cash poverty, and an improvement in another, e.g. life expectancy. Both the change in poverty and the change in life expectancy need attention to be called to them but the risk is that this would not happen with their submergence in an index. Similarly, if a sub-national index for the UK regions were calculated, as suggested above, two regions may appear to have similar levels of overall poverty and social exclusion, as summarised by an index, but have very different levels of the component indicators – a situation of considerable interest that would be hidden in the first instance by a focus on the index's values.

Second, if one index were to be calculated for the whole population (national or regional) then by definition it would have to be based on indicators that apply to everyone, e.g. the overall poverty rate, the overall homelessness rate, the overall unemployment rate, etc. This would run counter to one aspect of the indicators in the Government's new annual report on poverty and social exclusion, namely the presentation of separate indicators for children and young people, people of working age, and the elderly.

Of course, some of the report's indicators for each of these three groups do in fact measure the same thing. The low income indicators are an example. They are the same for each group in the sense that simply give the group value of the measure in question (e.g. the percentages in each group with relatively low income where the latter is defined in the same way in each case). In this case an overall index for the whole population could be calculated along with comparable sub-group indices, something that would be likely to be an interesting exercise.

But the great majority of the poverty report's indicators are in fact specific to the three population sub-groups in question. There can be no indicator for people of working age and the elderly that is analogous to the Second Annual Report's Indicator 7, 'a reduction in truancies and exclusions from school'. Indicator 20, 'a reduction in the number of people sleeping rough' is present only for people of working age; Indicator 31, 'an increase in the proportion of older people being helped to live independently' has no analogy in the indicators for the two younger age groups. Implicitly, this reflects the belief that the well-being of different groups should be measured in different ways – that 'what matters' varies over the life-cycle – and of course up to a point this is indisputable. In this case, an index can only be calculated separately for each sub-group and no comparisons can be made between the groups. There would be 'three numbers' (three incomparable numbers) and not one, with associated problems of communicating the situation to the public.

The third objection listed above, sensitivity to arbitrary choices made on the index's construction, is one where there would inevitably be a great deal of criticism levelled. In constructing any index a decision has to be made on which elements to include and which to exclude and how to weight the different elements that are chosen for inclusion. Should the index be based on 5, 10 or 50 indicators? If 5 then some very hard choices would have to be made and the index that results will be a pretty crude indicator. In this case the default of equal weighting would probably be hard to resist, on the assumption that the 5 indicators were chosen to represent what might be thought of as 5 equally important dimensions of well-being. (Agreement on that assumption would certainly not be unanimous, even among researchers and statisticians let alone the general public to whom the index's results would be

communicated prominently by the mass media.) If 50, then choice over indicators to be included would not be so difficult perhaps (perhaps!) but issues of weighting within the index would certainly come to the fore.

A further aspect of methodology where choice has to be made is on the degree of substitutability to allow between the elements that are selected for inclusion (an issue that is distinct from that of weighting). Does one allow, for example, a percentage point reduction in long-term unemployment to trade-off a percentage point increase in poverty? The UNDP's HPI-2 allows only partial substitution in this case. (By contrast the Economist magazine's 'Misery Index' of unemployment and inflation allows full substitution between its two elements.)

Conclusions

If a conclusion is desired in the Government's annual report of whether, on balance, poverty and social exclusion have fallen over the year (and how the picture varies across different age groups or parts of the country) some summary of the large number of indicators presented certainly seems necessary. An index is not the only way of going about this, although in one sense it would give the clearest answer in that the conclusion would be based on a single number. An alternative is to provide a core of just a handful of key indicators (see the contribution to the seminar report by John Hills). The Government could say that on balance it considers these indicators the most important and a concise summary could be given of their movement over the year. Even if an index were used, the report's authors would clearly want to show how the conclusion based on the index arose, i.e. to summarise the movements in each of the index's elements.

Even if no overall conclusion is desired (for whatever reason, including the belief that it is too difficult to make such a judgement) the communication of the report's indicators could be improved. The definition of indicators should be unambiguous (the case of the low income indicators is critical here, notwithstanding the desire to test for robustness to a change in definition) and the underlying data need always to be given clearly. (A number of indicators in the second annual report are reported in the form of unlabelled graphs with some key values mentioned only in the text.) An admirable example of clarity in both respects is the new annual US Government publication, *America's Children: Key National Indicators of Well-Being* (Federal Interagency Forum on Child and Family Statistics 2000).

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OPPORTUNITY FOR ALL: MONITORING THE GOVERNMENT'S STRATEGY TO TACKLE POVERTY AND SOCIAL EXCLUSION

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Introduction

This note covers the approach taken to monitor the progress of the Government's strategy to tackle poverty and social exclusion in the first two annual reports of *Opportunity for All (Tackling Poverty and Social Exclusion, September 1999, Cm 4445* and *One year on: making a difference, September 2000, Cm 4865*).

Opportunity for All Indicators

The Government's view is that poverty and social exclusion are complex and multi-dimensional concepts. Poverty exists when people are trapped on low incomes for long periods of time, when they lack access to good quality health, education and housing and by the quality of their local environment. An important element is the lack of access to opportunities to work, to learn to live healthy, active and fulfilling lives especially in retirement. Social exclusion is a short hand label for what can happen when individuals or areas suffer from a combination of linked problems that can lead to a spiral of disadvantage.

The Government's approach to tackling poverty and social exclusion is to:

- tackle the causes of poverty and social exclusion, not just the symptoms;
- create a fairer society, in which everyone has opportunities to maximise their potential; and
- invest in individuals and communities to equip them to take control of their lives.

The Government has specific objectives in relation to child poverty: to end it within twenty years and to halve it in 10. *Opportunity for All* monitors progress against this strategy.

Monitoring progress involves looking across a range of different indicators. The indicators fall into two categories:

- those that focus on current aspects of poverty and social exclusion. These include indicators for education, health, housing, the quality of local environments and low income. The low income indicators use a range of thresholds based on absolute low income lines (those that remain constant in real terms) and relative income lines (those that move upwards as average income increases). Persistent low incomes are also monitored; and
- those that capture factors that increase the risk of experiencing deprivation later in life. Examples in childhood are truancy and exclusion from school, teenage pregnancy and educational attainment. Examples during working age are employment and contributions to non-state pensions.

A full list of indicators is given in the annex. Precise definitions of the indicators can be found in the technical annex to the *Opportunity for All* reports. The indicators are grouped in relation to stages in the life cycle: children and young people; working age people and older people. There is also a set of community based indicators aimed at capturing the Government's progress in improving the poorest communities.

Specific criteria for selecting the indicators

When choosing the indicators the following broad criteria were chosen. The indicators:

- had to be relevant to the Government's overall strategy for tackling poverty and social exclusion. Therefore they either had to capture key current aspects of poverty and social exclusion or factors that increase the risk of experiencing deprivation in later life;
- had to be related to 'outcomes' the Government wanted to achieve rather than 'processes'. Therefore the number of children in workless households was selected as an indicator rather than the number of parents who find work through the New Deal;
- needed to be based on data that are publicly available and statistically robust. Where possible this involved using series that are published under National Statistic guidelines, for example, all of the HBAI based statistics; and
- needed to be unambiguous in interpretation. It should not be possible for the indicator to improve without this either reflecting a reduction in poverty and social exclusion or a reduction in an important causal factor.

The overall number of indicators

The approach taken in *Opportunity for All* has resulted in over thirty indicators. For children and young people there are thirteen different indicators covering, for instance, health outcomes, literacy and numeracy, low income, poor housing, and teenage pregnancy. This has some clear advantages in that it reflects both the multi-dimensional nature of the problem and the breadth of the Government's strategy in tackling it. By monitoring progress against a range of outcome indicators it will also identify whether progress is achieved across a whole range of areas where policies can prove effective.

However, the large number of indicators can lead to a lack of clarity. By looking at a large number of indicators it can be difficult to summarise these in a way that provides an unambiguous answer to questions such as 'has child poverty been halved?' Clearly there are some other approaches that can be taken that provide more clarity. One such approach is to highlight a small number of key indicators and specify exactly 'what should be counted as success' another approach is to construct a composite index from a number of the over all indicators. The pros and cons of these and other approaches are highlighted in other notes in this publication (see John Micklewright's paper for further discussion about a composite index). The second

annual report highlights five headline indicators in key areas to monitor progress towards eradicating child poverty. Three indicators have been set to monitor low income, worklessness and housing. Two more are being developed covering health inequalities and educational attainment.

Setting Targets

The approach taken in *Opportunity in All* Indicators was to specify a range of indicators across all of the different client groups. However, setting targets is also important, especially in the short term, in order to ensure that the Government remains on track to achieve its longer-term objectives. Therefore the Government has set a range of specific targets which outline what it expects to achieve and by when. Some of these relate to specific strategies – for example, the Government’s strategy on teenage pregnancy contains a target to halve the rate of conception among those under the age of 18 by 2010 – but most of these targets form part of a Public Service Agreement (*2000 Spending Review: Public Service Agreements*, Cm 4808).

The ‘Spending Review 2000’ announced a range of departmental and cross-departmental Public Service Agreement targets that are relevant to the Government’s strategy to tackle poverty and social exclusion. Examples that relate to child poverty include:

- to reduce the number of children living in households with income less than 60 per cent of the median by at least a quarter by 2004;
- to reduce the number of households living in social housing that falls below the set standard of decency by a third between 2001 and 2004; and
- targets for improved outcomes in deprived areas.

ANNEX: LIST OF OPPORTUNITY FOR ALL INDICATORS 2000

Please note that this is a list of the indicators in the second report. Since the first report there have been some minor changes to definitions of existing indicators, and the addition of some new indicators. Full details of changes to the set of indicators can be found on pages 191 to 197 of the second annual report.

Children and Young People

Improving family incomes by tackling worklessness and increasing financial support for families

1. A reduction in the proportion of children living in workless households, for households of a given size, over the economic cycle.
2. Low-income indicators:
 - a) a reduction in the proportion of children living in households with relatively low incomes;

- b) a reduction in the proportion of children living in households with low incomes in an absolute sense; and
- c) a reduction in the proportion of children living in households with persistently low incomes.

Investing in the crucial early years and education to break the cycle of deprivation

- 3. An increase in the proportion of 7-year-old children in Sure Start areas achieving level 1 or above in the Key Stage 1 English and maths tests.
- 4. An increase in the proportion of those aged 11 achieving level 4 or above in the key stage 2 tests for literacy and numeracy.
- 5. An increase in the proportion of 16-year-olds with at least one GCSE at grade A*-G (new indicator).
- 6. An increase in the proportion of 19-year-olds with at least a level 2 qualification or equivalent.
- 7. A reduction in the proportion of truancies and exclusions from school.

Improving the quality of children's and young people's lives

- 8. A reduction in the proportion of children living in a home that falls below the set standard of decency (new indicator).
- 9. A reduction in the rate at which children are admitted to hospital as a result of an unintentional injury resulting in a hospital stay of longer than three days.

We will develop an indicator that is linked to the commitment in the *NHS Plan* to set a target to narrow the gap in infant and early childhood mortality between socio-economic groups. Specific national targets will be developed, in consultation with external stakeholders and experts, and published in 2001.

Supporting young people at risk

- 10. An increase in the proportion of 16-18-year-olds who are in learning.
- 11. An improvement in the educational attainment of children looked after by local authorities.
- 12. A reduction in the rate of conceptions for those aged under 18 and a reduction in the proportion of teenage parents not in education, employment or training.
- 13. A reduction in the proportion of children registered during the year on the Child Protection Register who had been previously registered (new indicator).

People of Working Age

Building a proactive welfare system which helps people into work

14. An increase in the proportion of working age people in employment, over the economic cycle.
15. A reduction in the proportion of working age people living in workless households, for households of a given size, over the economic cycle.
16. A reduction in the number of working age people living in families claiming Income Support or income-based Job Seeker's Allowance who have been claiming these benefits for long periods of time.
17. An increase in the employment rates of disadvantaged groups – people with disabilities, lone parents, ethnic minorities and the over 50s – and a reduction in the difference between their employment rates and the overall rate.

Making work pay

18. Low-income indicators:
 - a) a reduction in the proportion of working age people living in households with relatively low incomes;
 - b) a reduction in the proportion of working age people living in households with low incomes in an absolute sense; and
 - c) a reduction in the proportion of working age people living in households with persistently low incomes.

Encouraging life-long learning to ensure that people have the skills and education to respond to the modern labour market

19. A reduction in the proportion of working age people without a qualification.

Providing support to vulnerable groups especially those at risk of discrimination and disadvantage

20. A reduction in the number of people sleeping rough.
21. A reduction in the proportion of young people reporting the use of illegal drugs in the last month and previous year, and a reduction in the proportion of young people using the drugs which cause the greatest harm – heroin and cocaine.
22. A reduction in adult smoking rates in all social classes.
23. A reduction in the death rates from suicide and undetermined injury.

Older People

Ensuring that more of tomorrow's pensioners can retire on a decent income

24. An increase in the proportion of working age people contributing to a non-state pension.
25. An increase in the amount contributed to non-state pensions.

26. An increase in the proportion of working age individuals who have contributed to a non-state pension in at least three years out of the last four.

Tackling the problems of low income and social exclusion among today's pensioners

27. Low-income indicators:
- a) a reduction in the proportion of older people living in households with relatively low incomes;
 - b) a reduction in the proportion of older people living in households with low incomes in an absolute sense; and
 - c) a reduction in the proportion of older people living in households with persistently low incomes.

Improving opportunities for older people to live secure, fulfilling and active lives

28. A reduction in the proportion of older people living in a home that falls below the set standard of decency (new indicator).
29. A reduction in the proportion of older people whose lives are affected by fear of crime.
30. An increase in healthy life expectancy at age 65.
31. An increase in the proportion of older people being helped to live independently.

Communities (new indicators)

Narrowing the gap between the poorest neighbourhoods and the rest of the country

32. A reduction in the difference between employment rates in the most deprived local authority districts and the overall employment rate, over the economic cycle.
33. A reduction in the national rate of domestic burglary and a reduction in the difference between the rates in the most deprived local authority areas and the national average.
34. A reduction in the number of families living in a home that falls below the set standard of decency.
35. In due course, a target will be announced to reduce to zero the number of local education authorities where fewer than a set percentage of pupils achieve level 4 in the Key Stage 2 English and maths test, thus narrowing the attainment gap. An indicator will be agreed that is linked to this target.
36. Our objective is to narrow the health gap in childhood and throughout life between socio-economic groups and between the most deprived areas and the rest of the country. Specific national targets will be developed in consultation with external stakeholders and experts in 2001. An indicator will be agreed that is linked to the targets.



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CASE/3 Jane Waldfogel, Yoshio Higuchi and Masahiro Abe *Maternity Leave Policies and Women's Employment after Childbirth: Evidence from the United States, Britain and Japan*
(out of print)

(Version published in *Journal of Population Economics*, 12, 2000)

CASE/4 A B Atkinson and John Hills (editors) *Exclusion, Employment and Opportunity*
(out of print)

(Version of Ch.3 by Hills, with Karen Gardiner, published as 'Policy implications of new data on income mobility', *Economic Journal* 109(453), 1999; Ch.5 by Arulampalam and Booth published as 'Training and Labour Market Flexibility: Is there a Trade-off?', *The British Journal of Industrial Relations* 36(4), 1998; Ch.6 by Green et al published as 'Are British Workers Getting More Skilled?', in L. Borghans and A. de Grip (eds), *The Over-Educated Worker? The Economics of Skill Utilisation*, Edward Elgar, 2000)

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	(Chapter in <i>New Labour: A turning point in British politics</i> , H Kastendiek and R Stimshoff (eds), Philo, 1999)	

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	Phil Agulnik	<i>The Proposed State Second Pension and National Insurance</i>
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